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Austria	Sch24	Indonesia	Rp2400	Philippines	Pes40
Bahrain	Din0.700	Iran		Portugal	Esc130
Belgium	BFr55	Israel	Shk4.50	Qatar	QR6.00
Cyprus	C£0.80	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils700	Singapore	S$4.10
Egypt	E£2.25	Kuwait	Fils.600	Spain	Pta160
Finland	FM9.00	Lebanon	L£650.00	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.80
Germany	DM2.80	Malaysia	Rin4.25	Thailand	Bt60
Greece	Dr150	Morocco	Dh9.00	Tunisia	Din1.000
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L3400
Hungary	Ft100	Nigeria	Naira12	UAE	Dh7.00
Iceland	IKr150	Norway	NKr12.00		
India	Rs15	Oman	OR0		

DRUG INDUSTRY

Bitter policy pill wakes sleeping giant

Page 10

World News

Prague seeks to join 24 OECD nations

Czechoslovakia has asked to join the Organisation for Economic Co-operation and Development, the research and advisory grouping of 24 western industrialised nations. Mr Jean-Claude Paye, the OECD's secretary general, said that Czech officials met officials on Tuesday at the organisation's headquarters in Paris. Page 18, Economic Liberalisation, Page 2

Greeks to vote again

Greek political leaders agreed to hold a general election by early April, the third in 10 months, to try to resolve the country's political and economic crisis. Page 2

Retribution on banks

Retribution on leading UK high street banks was promised by Prime Minister Margaret Thatcher following their withdrawal from the Government student loans scheme according to a document leaked to the opposition Labour Party. Page 10

Romanian trials

Four top aides of executed dictator Nicolae Ceausescu will face trial soon, according to Prosecutor-General Gheorghe Robu.

Egypt woos Peres

Egypt has invited Israel's dovish Labour party leader and Vice-Premier Shimon Peres to Cairo to press for Israeli participation in a dialogue with Palestinians, diplomats said.

Burmese ban

Burma's main opposition leader, Aung San Suu Kyi, has been barred from next May's general election because of alleged contacts with banned organisations, a spokesman for her party said.

Refugee conference

A 25-nation conference to discuss whether thousands of Vietnamese boat people should be sent home from Hong Kong has finally been set for next week, the UN refugee agency said.

Belfast blast

An IRA bomb blast in a multistorey car park in central Belfast sent the roof crashing down on dozens of cars. Police had evacuated hundreds of people after a warning was given.

Bulgarian request

Bulgaria has asked for "special guest status" at the Council of Europe, said Mr Adrian Butler, a spokesman for the 23-nation organisation. Page 2.

Liberian rebel attack

Rebels fighting to overthrow the Liberian government have razed at least two villages and killed at least 70 people near the tribal homeland of President Samuel Doe, said refugees.

All-race schools

Namibia's state-run white schools opened their doors to blacks for the first time as one of the last pillars of apartheid crumbled ahead of independence later this year.

Support for Aquino

President George Bush has sent Robert Gates, his deputy national security adviser, to the Philippines in a show of support for the beleaguered Aquino government.

Boxer arrested

Former world light welterweight boxing champion Terry Marsh has been arrested in London by detectives investigating the attempted murder of British promoter Frank Warren.

Holy site found

The first intact remains from the era of the biblical Second Temple, a stepped street beside Judaism's holiest site, had been found, said an Israeli archeologist in Jerusalem.

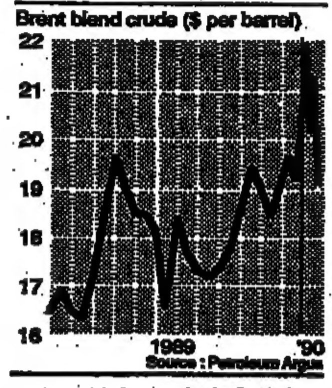
Business Summary

Cathay joins Peking to buy Dragonair for HK$700m

Cathay Pacific Airways has reinforced its position as Hong Kong's main airline by joining up with the Peking-controlled China International Trust and Investment Corporation in a HK$700m to HK$750m ($89.8m-$96.2m) takeover of a small local competitor, loss-making Dragonair. Page 19

OIL PRICES tumbled following reports of a rise in US stocks and products. North Sea Brent crude fell by 55 cents to close

Oil price



Source: Petroleum Argus

at $19.125, about $3 below the four-year peak earlier in the month. Page 30

WALL STREET stocks closed sharply lower after a day of erratic trading in which the market was pushed and pulled by contrary economic signals and mixed corporate earnings. The Dow Jones industrial average fell 33.49 points to close at 2,659.13. Earlier, the index had been up 12 points.

US trade deficit widened unexpectedly to $10.5bn in November, its highest level in 1989, while industrial production in December rose by a further 0.4 per cent. Page 18

BRITISH Government efforts to hold down level of pay settlements were dealt a severe blow when union leaders at Ford rejected an increased pay offer and recommended an indefinite strike. Page 18

INTERNATIONAL Business Machines reported a steeper fall in fourth quarter profits than Wall Street expected, but company forecasts of strong order flows this year helped support its share price. Page 19

JAPANESE Ministry of International Trade and Industry, keen not to aggravate the US at a time of increasing bilateral trade friction, said that Japanese car makers would continue "voluntary" export restraints in the coming financial year. Page 18

NATIONAL Australia Bank is believed to be the winning bidder for Yorkshire Bank, UK regional bank, in a deal which would be one of the largest of its kind in the British banking sector. Page 8

LVMH, French drinks and luxury goods group, is forecasting a rise in profits for 1989 of more than 45 per cent, which would take its net earnings to at least FFr2.9bn ($503m). Page 20

MITSUI BANK, Japan's ninth largest, has acquired a stake of just under 5 per cent in Hambros, London merchant banking group. Page 25

TOYOTA Motor Corporation, Japanese car maker, has won a contract to supply 2,550 ambulances to Hungary over the next 10 years. Page 6

CHINA plans to manufacture trucks in Thailand in its first vehicle joint venture outside the country. Page 6

BANCO Bradesco, Brazil's largest private sector bank, announced a $347m consolidated net profit for 1989, 74 per cent more in real terms than in 1988. Page 22

ROCKWELL International, US defence and electronics company, saw net income decline in the first quarter to $145.8m from $160m. Page 22

Soviet troops thwarted by mass civil disobedience

By Quentin Peel in Moscow

ATTEMPTS by Soviet troops to impose martial law in the strife-torn republic of Azerbaijan were being hampered by mass civil disobedience yesterday, with roadblocks slowing the movement of vehicles and soldiers' families reported kidnapped by militant nationalists.

Fighting between Azerbaijani and Armenian vigilantes was continuing in and around the enclave of Nagorno-Karabakh. The reported death toll in the disturbances rose to 60.

In Moscow, state television said last night that the army, Interior Ministry and KGB troops had been given clearance to fire on Armenian and Azeribaijani militants to defend themselves and to protect official arms caches. An announcement on the nightly news bulletin said the order was issued after a series of attacks on government weapons stores. It said the troops had exercised "maximum restraint" until now.

Thousands of Armenian refugees have been evacuated from the city of Baku, scene of repeated pogroms and atrocities carried out by gangs of Azerbaijanis.

On Tuesday alone, 5,000 Armenians were evacuated, according to the Azerbaijan mission in Moscow – and in spite of attempts by crowds to prevent them leaving. Their homes were immediately seized by some of the 200,000 Azerbaijani refugees in Baku who have fled from Armenia over the past two years of ethnic unrest.

Azerbaijani officials say that the refugees were the main instigators of the massacres of Armenians, culminating months of campaigning for adequate housing for themselves.

Izvestia, the government newspaper, yesterday said eyewitnesses claimed that victims of the pogroms were "thrown out of windows and from houses, killed with iron bars, and stabbed with knives." One report described four people burned to death at Baku railway station, presumably when attempting to flee the city.

Trud, the trade union newspaper, described "two black dolls thrown on the garbage" which turned out to be two blackened corpses.

The Soviet Interior Ministry reported yesterday that four more corpses had been discovered as the security forces gradually made their way through burnt out homes. It said 169 homes in the city had been gutted.

At the same time, lorryloads

Continued on Page 18

Dagger at heart of perestroika, Page 17

Kohl says Germany will keep frontiers

By Ian Davidson in Paris

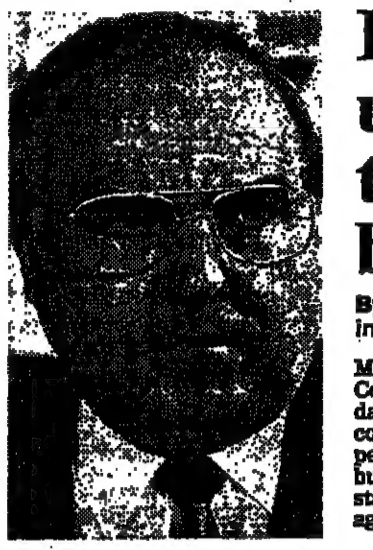
GERMAN reunification would not involve any change in existing frontiers, Chancellor Helmut Kohl of West Germany made clear yesterday.

In a speech to a French foreign policy audience, Mr Kohl also strongly reasserted his Government's commitment to the economic and political development of the European Community as the precondition for a more closely co-ordinated Community policy towards eastern Europe and eventual German reunification.

His speech appeared primarily designed to calm two French anxieties over the prospect of German reunification: the fear that the pull from eastern Europe would lead Bonn to drag its feet within the EC; and the fear that German reunification could challenge the stability of the frontiers inherited from the Second World War.

Mr Kohl said Bonn could not overcome the divisions of Germany and Europe by itself. "I want there to be no doubt on this subject," he said. "We want to travel the road together, especially with France, to which we are linked by a deep and precious friendship." But the Franco-German relationship should be mainly a motor for increasingly close EC foreign policy co-ordination towards eastern Europe.

Chancellor Kohl warmly endorsed proposals for specific



Kohl: deep friendship

forms of association between the European Community and the countries of eastern Europe, which were put forward simultaneously to the European Parliament in Strasbourg yesterday by Mr Jacques Delors, President of the European Commission.

"I support his concept," said Mr Kohl, "that future co-operation should rest on an institutional basis – if that is the wish of the countries of central Europe, eastern Europe and south-east Europe – to give greater continuity to the political and economic dialogue".

Developments in the eastern bloc were bringing about a revival of the role of national identities, said Mr Kohl. This was a manifestation of recovered liberty, which we should not criticise. "But it is also a fact that a future Europe could not stand a return to the clichés of thought and behav-

Continued on Page 18

Britain backs German unity, Page 2

Delors urges EC to break budget

By Tim Dickson in Strasbourg

MR Jacques Delors, European Commission President, yesterday urged member states to consider breaking the European Community's existing budget limits as part of a substantially increased aid package to eastern Europe.

In a wide-ranging speech to the European Parliament, Mr Delors set out his ideas for closer EC political integration – including a more powerful European Commission – and threw weight unambiguously behind East German membership of the EC.

Mr Delors' speech was dominated by developments in the eastern bloc – and the palpable uncertainty in Brussels about how best to react – and his most controversial if most speculative comments were concerned with the the development of EC financial support.

He pointed out that the Community was already drawing up "ambitious plans" which would require the revision of existing spending plans within current budget ceilings.

"To give an idea of the scale of the problem," he suggested that if the six countries on the road to democracy in eastern Europe were given the same scale of support as the Community's most depressed regions, an additional Ecu14bn ($16.8bn) a year for the next

Delors: ambitious plans

5-10 years would need to be added to EC resources, and a further Ecu5bn a year would be required by the European Investment Bank.

Referring to the "historic" February 1988 summit which sorted out the EC's financial problems and "underwrote the internal solidarity and further development of the EC," Mr Delors said: "Another February 1988, equally significant, equally historic, is needed to demonstrate our solidarity with eastern Europe and the rest of the world."

The Commission President's open encouragement to East Germany was seen by many in Strasbourg as part of a deliberate strategy to woo West Germany more firmly into the Community fold and help enlist Bonn's support for the Commission's approach.

EC officials hinted last night that there had been co-operation with Bonn before yester-

Continued on Page 18

Other details, Page 2

Nippon Seiko to buy UK bearings group for £145m

By Nick Garnett in London

UNITED Precision Industries, the biggest British-owned manufacturer of bearings, has been acquired by Nippon Seiko (NSK) in the biggest acquisition yet of a UK company by a Japanese group.

Japan's largest bearings maker is paying £145m ($239m) for privately owned UPI, as well as assuming ultimate responsibility for the UK group's debt of £58m.

UPI is the successor company to Ransome Hoffmann Pollard, which was created in 1969 out of a merger between three leading British bearings companies. The merger was promoted by the Labour Government's Industrial Reorganisation Corporation to prevent the biggest of the three companies, Ransome and Marles, from falling under the control of SKF of Sweden.

Forty managers at UPI who together hold a 15 per cent stake in the company will share £22m as a result of the deal. The biggest shareholder is Mr Alan Bowkett, 39, who will remain UPI's chief executive within the NSK group.

UPI was set up to purchase the former RHP (Ransome Hoffman Pollard) bearings business in a £73m management buy-in in December 1987.

It employs 3,300 in the UK. It also employs a further 500 at plants in West Germany and Switzerland.

Mr Sadao Hirano, senior managing director at NSK in Japan, said the intention was to use the Japanese company's technical and financial resources to improve UPI's manufacturing, products and marketing.

Employees have been told there will be no redundancies as a result of the takeover. The takeover is still subject to a decision by the Office of Fair Trading not to recommend a reference to the Monopolies and Mergers Commission.

Mr Hirano said that NSK would "most probably" keep all six UPI manufacturing plants. UPI makes a range of specialist bearings for the machine tool, industrial machinery and aerospace industries.

NSK, which had sales last year of £1.5bn – 60 per cent from bearings – already manufactures bearings at Peterlee, County Durham, where it employs 700.

UPI, which made a taxable profit of £11.1m on sales of £129m for the year to September 1989, claims 17 per cent of the UK bearings market. This is down from 25 per cent in the 1970s. The purchase will give NSK just over 20 per cent of the British bearings market and will double its share of the European market to about five per cent.

NSK's share of the British bearings manufacturing industry – on UPI figures – appears to rise well above 50 per cent after the purchase.

UPI will operate as a separate entity within NSK. However, several Japanese will move to the UPI board and Mr Toshio Arata, president of the NSK Group, will become non-executive chairman.

Japanese pin-ball, Page 19

Drug trial banker wants Noriega evidence barred

By Richard Donkin in Tampa, Florida

LAWYERS for a central figure in a US drug money laundering trial are attempting to bar the use of evidence referring to his relations with General Manuel Noriega, the deposed leader of Panama.

Mr Amjad Awan, a marketing officer with the Miami branch of the Bank of Credit and Commerce International, is on trial along with four other officers of the bank. Charges against Mr Iqbal Ashraf, a Los Angeles officer and former manager of the Tampa branch of BCCI, have been dropped.

Two subsidiaries of BCCI, the Luxembourg-registered bank which runs its operations from London, have pleaded guilty to drug laundering charges and the bank has agreed to forfeit $14.8m in assets, equivalent to the amount in drugs proceeds said to have been laundered through its offices.

The bank has also agreed to co-operate with the investigation of what the plea agreement describes as "other persons". Federal investigators are particularly interested in Noriega family accounts at the bank.

Swiss to reveal Noriega secrets, Page 2; Colombian drug barons, Page 3

Peking to bar holders of British passports from Hong Kong jobs

By John Elliott in Hong Kong and Philip Stephens in London

THE UK Government's plans to give full British passports to up to 225,000 Hong Kong citizens received a further setback yesterday when China announced that it would bar these people from top government posts after the colony returned to Chinese sovereignty in 1997.

The statement was seized upon by both Conservative critics of the passport plan and by the Labour Party as a further blow to the already embattled scheme. They predicted that the Government's hopes of getting the passports legislation through the Commons have been seriously weakened.

The Chinese announcement was made in the country's southern city of Canton where officials drafting the Basic Law for Hong Kong after 1997 are in their final working sessions.

Xiao Waiyan, a Chinese member of the drafting committee, said top government jobs would be restricted to Chinese citizens who would have to prove they had no right of abode outside Hong Kong.

Dr Raymond Wu, a convenor of the drafters' political sub group who comes from Hong Kong, said the tightening of the rules governing top officials had been provoked by Britain's passport package. He said people involved should renounce foreign passport rights before accepting top jobs.

The jobs involved include those of chief executive, president of the legislative council, members of the executive council, and other senior bureaucrats. Top judges and all legislators might be added.

It is in line with China's practice of not recognising dual nationality except for people who have emigrated and established foreign residency.

China surprised the British Government just after Christmas by launching an attack on the passport package which, it claimed, was part of a UK attempt to "internationalise" Hong Kong after 1997. It threatened reprisals if the plan was not withdrawn. Mr Douglas Hurd, British Foreign Secretary, said during a visit to Hong Kong recently that there would be no withdrawal.

Reporting on his visit, Mr Hurd yesterday sought to play down the implications of China's latest announcement. He insisted in the Commons that the issue of whether British citizens could hold key posts had been covered in the 1984 Joint Sino-British declaration on Hong Kong's future.

The Government's main reason for giving the passports is to give an insurance policy to "anchor" key personnel in Hong Kong.

Mr Gerald Kaufman, Labour's foreign affairs spokesman, joined right-wing Tory opponents of the scheme, however, to argue that China has undercut that objective.

If British passport holders were debarred from key jobs they would inevitably use them to settle in Britain, he said. China's stance was complicated yesterday by a warning that Hong Kong residents holding full British passports would not qualify for British consular protection in Hong Kong and China.

Editorial comment, Page 16; Hong Kong drops SE bribery charges, Page 4.

CONTENTS

Brazilians urged to confront economic apocalypse now

When Brazil's President-elect, Fernando Collor de Mello (left) takes office in March, inflation will be his biggest headache. Against all odds, the experts have reached a conclusion – and it is apocalyptic. Page 3

MARKETS

STERLING
New York close
$1.6525
London:
$1.65 (1.656)
DM2.7875 (2.805)
FFr9.48 (9.5425)
SFr2.4875 (2.51)
Y240.00 (240.72)
£ Index 87.8 (88.3)

GOLD
New York: Comex Feb
$413.7
London:
$410.25 (413.75)

N SEA OIL (Argus)
Brent 15-day Mar
$19.125 (−0.55)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.6885
FFr5.7400
SFr1.5065
Y145.35
London:
DM1.6900 (1.6945)
FFr5.7450 (5.7625)
SFr1.5080 (1.516)
Y145.47 (145.45)
$ index 67.1 (67.3)
Tokyo close: 145.49

US Lunchtime Rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills: yield: 7.930%
Long Bond: $98\frac{3}{4}$
yield: 8.226%

STOCK INDICES
FT-SE 100:
2373.9 (+24.8)
FT Ordinary:
1895.3 (+19.6)
FT-A All-Share:
1186.53 (+0.8%)
New York close
DJ Ind. Av.
2,659.13 (−33.49)
S&P Comp
341.53 (+0.78)
Tokyo: Nikkei
36,821.14 (−29.22)

LONDON MONEY
3-month Interbank:
closing $15\frac{1}{16}$% ($15\frac{1}{8}$)
Liffe long gilt future:
Mar $88\frac{3}{32}$ ($89\frac{1}{4}$)

German bishops announce plans to reunite churches

By **Leslie Colitt** in Berlin

EAST and West Germany's Protestant churches, divided in 1969 under Communist pressure, dislosed plans to reunite yesterday at a meeting between bishops of the two churches in Loccum, West Germany.

The move came as another faction emerged within the embattled Socialist Unity (Communist) Party (SED), which is already facing the mass resignation of members.

The Evangelical (Protestant) churches symbolic decision to restore organisational links was made at a meeting in West German's Evangelical Academy between Bishop Martin Kruse, chairman of the Protestant Church Council of West Germany, and Bishop Werner Leich, chairman of the Federation of East German Evangelical Churches.

Reunification was to take place independent of "political developments" they said, alluding to the controversy over any timetable for German reunification.

A unified Evangelical Church would again be the largest in Germany. The Protestant Church is predominant in East Germany, with an estimated 6m nominal members. Catholic Church membership in West Germany recently overtook that of the Protestant Church.

On the political front, a group calling itself "platform for democratic socialism" emerged within the SED in Leipzig, which has seen the largest and strongest anti-Communist demonstrations.

In an appeal published in the party newspaper Neues Deutschland, the new group accused the SED apparatus of opposing real reforms and said that officials elected in the past five years should not be allowed to hold elective office.

Former party members who lost their jobs (mainly in the disbanded security service) should not receive compensation payments, the faction said.

It added that opposition groups still did not have full access to the party-controlled official media.

Other factions were recently founded in the SED which appealed for social democracy, a "third way" (between socialism and capitalism) and for more communism. The latest group gives further impetus to forces within the SED which could ally themselves with the new East German Social Democratic Party (SPD). However, opposition groups yesterday did win their battle for their own accommodation, moving *into a building in East Berlin's* Friedrichstrasse which until last week was occupied by the SED.

Opposition groups are also expected to be given several newspaper publishing plants which the party said it would relinquish.

Mr Gregor Gysi, the Party Chairman, revealed this week that an above average number of senior Government officials, especially in economics, were leaving the Party which was down 900,000 members to 1.4m. Directors of leading companies were turning in their Party membership cards as they adjusted to the new market-oriented future.

Mr Ibrahim Böhme head of the East German SPD said in an interview that his party would welcome Mr Wolfgang Berghofer, the popular Mayor of Dresden and Deputy Chairman of the SED,if he chose to join. Mr Berghofer was widely expected to leave the SED at some point as was Mr Kurt Masur, the politically influential conductor of the Gewandhaus Orchestra in Leipzig. He was recently proposed as the future East German President by New Forum, the largest opposition group.

● East Germany's deputy prosecutor-general has been fired for incompetence and the head of the supreme court has resigned, the official news agency ADN said yesterday, *Reuter reports from East Berlin.*

The Council of State dismissed the deputy prosecutor, Harri Harrland, for "neglect in office" and providing poor information to parliamentary investigative bodies, ADN said.

A member of the citizens' committee (2nd from left) and East German police fix a banner to a wall of the National Security Service building in Cottbus, south east of Berlin yesterday. It reads: "Occupied by Citizens Committee, Guarded by Police". The last members of staff left after the Secret Service was dissolved and the building is now put under seal.

Prague draws up plans for economy

By **John Lloyd**

THE Czechoslovak Government is preparing a raft of economic legislation designed to liberalise and open the economy, to be presented for parliamentary approval at the end of next month.

Mr Vladimir Dlouhy, the deputy Prime Minister and head of the Planning Commission, said: "We will show that we are serious about protecting foreign participation, serious about the right to repatriate profits, serious about moving to convertibility of the currency and about giving all basic assurances required to foreign investors."

The major legislation now being drafted by the new economic team – which includes Dr Valtr Komarek,the first deputy Prime Minister, Mr Vaclav Klaus, the Finance Minister, Mr Dlouhy and their freshly drafted advisers – includes:

● The removal of barriers to private business, including prohibitions on employing workers, changes in the current punitive tax rates and the establishment of a legally binding right to private property.

● A law on foreign investment, granting ownership rights to foreign companies, together with the right to hire and fire, take out profits and form joint ventures with Czechoslovak companies.

● A new law on planning which will largely end five year plans and reduce – though not initially scrap – the plan indicators for major enterprises, which will remain state-owned for the immediate future.

Mr Dlouhy said the main engine of growth would henceforth be private individuals starting their own enterprises. A union of private entrepreneurs has already been established in Prague, and their representatives will be involved in drafting the new legislation.

He said, however: "We can hardly privatise all of Czechoslovak industry very suddenly. We have a relatively stabilised economy and low inflation at present. If we are not sensitive we can worsen the economic situation for future reform.

"So a certain role for planning is necessary to keep the basic balances in the economy, though this is a very temporary task. I would see the present 681 plan targets in the 1990 Plan being reduced to a tenth of that figure."

Britain backs German unity

By **David Marsh** in Bonn

BRITAIN yesterday backed the goal of German reunification as the result of "self determination" of the German people, but warned of the potential problems for security in Europe.

Mr William Waldegrave, junior foreign minister, said Britain had to help ensure that self-determination in East Germany was carried out "smoothly and without trouble for (Germany's) neighbours and the security structure in Europe".

As one of the four allied powers responsible for the future of Germany, Britain appears to be mounting a minor diplomatic offensive to show it sympathises with the sudden flare-up in German preoccupations over unity.

Mr Waldegrave's statement, during talks here with officials and politicians, coincided with a move by Bonn to tighten regulations on social security benefits received by emigrants from eastern Europe.

Mr Wolfgang Schaeuble, the Interior Minister, made clear however that Bonn was not considering concrete measures to limit the inflow. About 40,000 Germans from East Germany and other parts of eastern Europe arrived in the Federal Republic in the first half of January, against 721,000 in the whole of last year.

Mr Waldegrave made clear Britain's concern about "destabilisation" in East Germany resulting from further discontent there about the political and economic outlook. Warning of the threat from obstruction of "what the East Germans want", Mr Waldegrave said: "What is obviously the least satisfactory option is to see East Germany collapsing."

Asked about whether a reunited Germany might still be part of Nato, Mr Waldegrave replied: "I don't see why not." He emphasised however that this would need careful discussion with the Russians.

Mr Waldegrave played down doubts about the validity of Poland's western border, on which Chancellor Helmut Kohl issued a strong statement in Paris yesterday. "There is not a real fear from anybody that the Germans are after anyone's territory," he said.

● Ms Christa Luft, the East German Economics Minister, announced plans to split up giant state industries into smaller groups. On the second day of a visit to West Germany, Ms Luft also made clear that small West German companies could start up fully-owned subsidiaries in East Germany.

Pollution experts try to head off Madeira oil slick

ANTI-POLLUTION experts yesterday rushed to head off an environmental disaster in the Portuguese archipelago of Madeira as a mysterious oil slick spread around the Atlantic holiday islands, Reuter reports from Madeira.

Crude oil lapped on to the entire northern shore of Madeira after the 13-mile slick drifted in from around the tiny neighbouring island of Porto Santo.

Officials of Madeira's regional government feared that the key tourism industry and rare wild life on a nearby nature reserve could be devastated if the crude spread further.

"It is an ecological disaster," said Mr Gabriel Drumond Esmeraldo, mayor of the northern town of Sao Vicente.

Turtles, sea birds and fish covered by the oil writhed on Porto Santo's once golden beach as environmentalists tried to prevent the crude reaching the nearby Deserted Islands, a rocky sanctuary for rare sea lions.

Environment Minister Mr Fernando Real flew in from Lisbon and Air Force aircraft loaded with tonnes of anti-pollutants tried to disperse the oil, whose origin is still unclear.

Porto Santo's entire northern coast was blackened and rescue workers using bulldozers scooped up an estimated 60 tonnes of crude from the beach, the tiny island's main tourist attraction.

The oil also seeped into a desalination plant, forcing it to close.

Clean-up efforts could last an entire month because of lack of equipment and the isolation of the islands, 300 miles off the African coast, one navy official said.

Authorities were considering international offers of help as specialists sought to identify where the oil originated.

Bulgaria asks to join Council of Europe

BULGARIA has asked for "special guest status" at the Council of Europe, Mr Adrian Butler, *a spokesman for the* 23-nation organisation, said yesterday, AP reports from Strasbourg.

He said the request was made in a letter by Mr Stanko Todorov, president of Bulgaria's National Assembly, who said his country was moving towards a pluralistic society.

Bulgaria is the sixth east European nation seeking to associate itself with Europe's oldest post-war organisation striving for European unity.

Mr Butler said "special guest status" was a term invented for European nations moving toward democracy but still lacking "pluralistic parliamentary democracy," a requirement for membership in the Strasbourg-based Council.

The Soviet Union, Poland, Hungary and Yugoslavia *already have guest status* which may lead to observer status and, eventually, full membership.

Hungary has applied for membership and Poland and Yugoslavia are expected to do so soon, Mr Butler said.

Czechoslovakia yesterday also asked for guest status at the Council in a request put forward by Alexander Dubcek, the former leader who was elected president of the Czechoslovak parliament this month.

Mr Dubcek was here to accept the European Parliament's Sakharov Prize for human rights, and met with Pieter Stoffelen, the vice president of the Council of Europe's parliamentary assembly.

"Dubcek indicated strongly his country wants to become a *full member of the Council*," said Mr Butler.

The Council of Europe was founded in 1949 and is best known for its European Convention on Human Rights. Its work has largely been eclipsed by that of the European Community, a separate body to which the European Parliament belongs.

Mr Dubcek addressed the European Parliament and met Council of Europe officials as the two organisations share the same building in Strasbourg.

Mr Dubcek told reporters he saw his country joining the EC as well some day. "Everything is pointing to this," he said. "It is only a question of time."

Italy's private mail service at starting post

By **John Wyles** in Rome

ITALY'S experiment in the privatisation of postal delivery will start within a few weeks, Mr Oscar Mammi, the Minister of Posts and Telecommunications, said yesterday.

Introduced despite fierce opposition from Italy's largest union confederation, the Communist-dominated Cgil, the scheme passes responsibility for delivering express letters in 12 cities to "Send Italia" – a grouping of leading private fast delivery services.

According to Mr Mammi, the project offers big savings in both money and personnel. The price of sending an express letter is now L3,500 (£1.67) against an average cost to the postal service of L2,531 per item. The contract with Send Italia, initially for two years but *renewable for up to* six, will cost the Mr Mammi's Ministry L2,200 per item.

Express post volume is now said to stand at 50m letters a year and its growth looks likely to be severely restricted by the boom in facsimile machines, most of the users of which have long since despaired of one of the most desperate postal systems in Western Europe. Express deliveries can take from one to three days against an officially estimated eight-day average for the ordinary L700 letter post. At peak periods like Christmas a month is not uncommon.

Mr Mammi, a Republican, claims that the new service opens up the possibility of same-day delivery in some of the 12 cities, which will include Milan, Rome, Florence, Genoa, Naples and Palermo. The proof will be in the delivery, however, since the Cgil will still be responsible for moving mail for prior delivery to Send Italia. The Minister also says that general service should improve because the privatisation will free 1,100 postmen for redeployment at a time of severe staff shortage following a cost-curbing freeze on recruitment. The Cgil doubts there will be any real savings because the minister has not properly estimated the *retained costs of sorting* and delivery to the private agencies.

Responding to the union's claim that a reorganisation of the service would achieve the same ends with greater savings, Mr Mammi said in Parliament yesterday: "I am always rather sceptical and pessimistic about the productivity of public employees." It would give "excessive offence" to suggest that a public employee could double his productivity in 24 hours.

Swiss to hand Noriega bank secrets to US

By **William Dullforce** in Geneva

SWITZERLAND agreed yesterday to hand to the US documents concerning bank accounts in Geneva and Zurich allegedly used by General Manuel Noriega, Panama's ousted dictator.

The Swiss Federal Justice Department said it had accepted Washington's request for legal help in pursuing the charge against Gen Noriega of conspiring with the Medellin drug cartel, for which he has been indicted in Miami.

On *December 27 the department* had ordered the Swiss Bank Corporation (SBC) branch in Geneva and Union Bank of Switzerland in Zurich to freeze the accounts.

Washington claims that Gen Noriega deposited more than $10m *deriving from illegal* drugs business in accounts in Switzerland, France, Britain and Luxembourg. Details seized during the US invasion of Panama indicated that Noriega had amassed a personal fortune of between $200m and $300m, according to the US administration.

SBC said it had broken all relations with Gen Noriega in 1988. Gen Noriega's lawyers have 10 days in which to appeal against Swiss decision to grant the US legal aid.

Greek coalition agrees on April polls

By **Kerin Hope** in Athens

THE all-party Greek Government yesterday announced that fresh general elections would be held on April 8. It will be the third poll in less than a year.

There had been speculation in the past few days that the coalition headed by Mr Xenophon Zolotas, the Prime Minister, might carry on beyond the five-month period agreed by the Conservative, Socialist and Communist parties after November's election resulted in a hung parliament.

However, the three parties' leaders said in separate statements after their weekly meeting that the accord would stand.

Greeks can raise little enthusiasm for a new round of electioneering, especially as the coalition has banned the usual pre-election round of generous spending and hiring by the deficit-plagued public sector.

Ten months of political uncertainty have slowed preparations for the 1992 single market and created a feeling among politicians and businessmen that Greece is losing economic ground to other small Community members and even some East European nations.

But few analysts are ready to predict that another poll will bring a clear-cut result.

The electoral law is weighted in favour of parties finishing second and third in the polls, under a complex proportional representational system.

Before dissolving in March, the 300-member Parliament must try to elect a head of state to succeed President Christos Sartzetakis.

There are no front-runners for the largely ceremonial post, although Mr Constantine Karamanlis, the former President and veteran statesman, is sometimes mentioned as a possible contender who could attract across-the-board support.

If no candidate secures a three-fifths majority on the third ballot, the new President will be elected on a simple majority after the April election.

In the meantime, the Zolotas Government must push through legislation on reducing tax evasion and extending the accord on US bases by six months so the next government can complete negotiations for a new defence agreement.

Mr Andreas Papandreou, the Socialist leader and former Prime Minister, said he saw no objection to prolonging the coalition government's term, but would accept an April election.

It is not yet clear what effect the poll will have on investigations into Mr Papandreou's alleged involvement in a multi-million dollar banking scandal at the Bank of Crete.

Striking miners challenge Solidarity pay policy

By **Chris Bobinski** in Warsaw

STRIKES continued yesterday in five Polish coal mines, challenging the Solidarity led coalition government's stringent pay policy.

The strikes have embarrassed Solidarity leaders in Silesia since the party is committed to supporting the Government's IMF-approved plan to squeeze inflation by holding wages growth to a minimum.

The stoppages started on Tuesday when miners found their December pay fell from the preceding month. Prices this month are expected to rise by 46 per cent.

In at least one pit, the Czerwone Zaglebie, in the industrial centre of Katowice, the initiative has passed to Solidarity's rivals, the old official unions (OPZZ), which are leading the stoppage.

Strikes in the south western town of Walbrzych yesterday also entered their second day.

The three affected mines have the highest production costs in the industry and are at the top of any possible closure list.

Representatives of the three pits spent the day in Warsaw talking to government officials.

At the Czerwone Zaglebie mine, Solidarity officials issued a protest against being locked out of their office by the strikers, who a day earlier had refused to let the local Solidarity mining leaders into the pit.

Yesterday, officials from the OPZZ Mining Federation backed the stoppages and asked for talks on re-establishing mining's predominant position in the national wages table.

Traditionally miners earned 70 per cent more than the average industrial wage. Since September the federation says they have slipped back to 50 per cent over the average.

Inflation in France edges up to 3.6%

FRANCE'S inflation rate ended last year at 3.6 per cent, half a percentage point higher than in 1988, writes George Graham in Paris.

Consumer prices rose by 0.1 per cent in December, the state statistical institute Insee reported yesterday, keeping the year-on-year inflation rate at the same level of 3.6 per cent it had maintained throughout the third quarter.

The French finance ministry said the country had performed well in relation to its main economic competitors. It stood 0.6 percentage points higher than West Germany's at the end of 1989 and 0.9 percentage points lower than the average of its 8 main trading partners.

The official French government forecast for inflation in 1990 is 2.5 per cent.

Unemployment in Norway rises

NORWAY'S unemployment has risen to 105,221, or 4.8 per cent of the workforce, the highest level since the Second World War, according to official estimates yesterday.

The northern region of Finnmark, where the bulk of Norway's fishing industry is situated, has the highest jobless rate at 9 per cent, while at least 12 other regions have a jobless rate exceeding 5 per cent, compared with just 3 per cent in December.

Norway's centre-right government is coming under increasing pressure from unions demanding measures to reduce unemployment before annual wage negotiations commence this spring.

Delors makes his boldest pitch yet for EC political union

By **Tim Dickson** in Strasbourg

MR Jacques Delors yesterday made his boldest pitch yet to turn the European Community towards his cherished goal of full political union.

In a passionate speech to the European Parliament inspired by what he called "the astounding series of events" in Eastern Europe, the EC Commission President called for what amounts to the development of a fully fledged Community foreign policy, and a radical shake up in the EC's institutional structures.

Long on nuance and self-conscious ambiguity, a typically reflective Mr Delors tackled a wide range of issues of which the EC's relationship with the six emerging democracies in Eastern Europe was perhaps the dominant theme.

He emphasised that East Germany is "a special case", adding that "there is a place for East Germany in the Community should it so wish"; and he urged the EC to "look *beyond*" *the trade and co-operation* agreements under negotiation or already signed "to devise new forms of co-operation and provide a framework for future political co-operation between democratic states".

"If the six countries so wished", he suggested, "these agreements could include an institutional aspect, the creation of a forum for genuine dialogue and economic and political consultation, the extension of co-operation to the technical, scientific, environmental, commercial and financial spheres; but not necessarily involving a common market, since such ill-prepared economies could not cope with one for a number of years".

Mr Delors, meanwhile, appears to be floating the idea of a much more ambitious financial commitment by the Community to Eastern Europe than currently envisaged. Acknowledging the "inevitability" of reviewing the EC's "financial perspective" he said that simply extending present arrangements for the most backward regions of the 12 to the six new democracies in the East would require an extra Ecu14bn (£10.1bn) a year in new EC resources, plus an additional Ecu5bn a year for the European Investment Bank.

"In February 1988 the European Council took a historic decision to underwrite the internal solidarity and further development of the Community", he observed.

"Another February 1988, equally significant, equally historic, is needed to demonstrate our solidarity with Eastern Europe and the rest of the world".

One of the central lessons Mr Delors drew from developments in the East was the growing inseparability of the Community's economic and political roles. And as he turned to discuss the EC's own internal development on the world stage, the need to strengthen political co-operation among existing members of the "club" seemed uppermost in his mind.

On negotiations with the countries of the European Free Trade Association which will start in earnest later this year, for example, he suggested that "the crux of the current debate is the decision making process".

"There will have to be some sort of osmosis between the Community and EFTA to ensure that EFTA's interests are taken into account in major Community decisions", he explained. "But this process must stop short of joint decision-making, which would imply Community membership and acceptance of the marriage contract.

"This would serve the interests of neither party, so a delicate balance will have to be struck during the negotiations".

Referring shortly afterwards to French President François Mitterrand's idea for a "grand European confederation" Mr Delors said that his own view is that this "will not come into being until the Community achieves political union. It will be for each country to decide when the time comes".

As a "first step" towards changing the style and tempo of political co-operation, he suggested, member states could mount a "joint offensive" on economic and human rights issues in the 35 nation Conference for Security and Economic Cooperation(CSCE).

But whether the topic was Economic and Monetary Union (Emu) or political co-operation the issue came back to the question of institutions.

"Given the degree of commitment being asked of the Community, and the danger of the Community being diluted - if only because some countries, alarmed by developments on the Continent, are being tempted to play a more national card – we need an institutional structure that can withstand the strain".

Reminding MEPs that he has already advanced two possible solutions to the problem of executive powers – a weekly meeting of deputy prime Ministers to hammer out deals and a strengthened European Commission – he said that the logic of the Rome Treaty and the challenges of the outside world "demand that we back the second of these options".

The new executive, he explained, would be answerable "to the democratic institutions of the future federation", and have a President who was appointed democratically and who had "genuine power" to influence the choice of its other members.

Conscious no doubt of the increasingly vocal criticisms of the dominant Socialist group in his Parliamentary audience Mr Delors yesterday devoted a large section of his remarks on the single market to the "social dimension". He rebutted those who accused the Commission of being obsessed with deregulation, citing among other measures Community rules on takeovers, insider trading, the labelling of goods to support his view that "liberalisation and harmonisation go hand in hand". No market can operate smoothly, he contended, with a regulatory framework.

Notwithstanding his other concerns, Mr Delors also voiced "disappointment" at the effectiveness of previous relations with Japan. Commenting on Prime Minister Kaifu's call for "revitalised links" with the EC, he said he hoped these would be taken to their logical conclusion. "They cannot expect the West to apply the principles of openness and free trade indefinitely while these are denied to western companies in Japan".

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AMERICAN NEWS

Bush mounts strong defence of pay-roll social security tax

By Peter Riddell, US Editor, in Washington

THE BUSH administration is mounting a strong counter-offensive against proposals for cutting the social security pay-roll tax, which have been put forward by leading Democratic Senator Daniel Patrick Moynihan and have attracted some Republican support.

Senior officials have contacted members of Congress to rally opposition since they want to avoid any bandwagon developing for a politically attractive tax cut for low and middle-income groups in an election year.

At present, White House officials do not see the proposals as a real threat and Senator Robert Dole, Republican minority leader in the Senate, has said he did saw no reason "to be panicky". He detected no sign of a big Republican move towards it.

The Democratic Congressional leaders have been unusually reticent, waiting to gauge the real level of support when Congress returns next week.

The plan, to switch social security to a pay-as-you-go basis, would cost $7bn in lost revenue in the current fiscal year, and $55bn in fiscal 1991, which would undermine hopes of cutting the federal deficit in line with the Gramm-Rudman statutory targets.

The growing social security surplus, at present used to hold down the overall federal deficit, has arisen because of the need to provide reserves for the much larger number of retired people in the next century, arising from the post-World War Two baby boom.

The Moynihan plan has aroused fierce controversy, attracting support from the conservative Heritage Foundation as a step towards fiscal honesty and a tax cut for the working poor. By contrast, normally liberal economists have suggested that the proposal would not only raise the federal deficit but also threaten the long-term financial prospects for social security beneficiaries.

Moynihan: attracting support

The administration has argued that the Moynihan plan would force either a cut in social security benefits or an increase in other taxes in order to cut the federal deficit.

Mr Michael Boskin, chairman of the President's Council of Economic Advisers, has defended the present system on the grounds that it is necessary to build up the reserves in the social security trust fund "to avoid an oppressive tax increase or cut in benefits in the future."

The chairman has argued that the structure put in place in 1983 represented "one of the few times the government has really been responsibly forward-looking, anticipating future obligations and placing a financially sound programme in place to deal with them."

Montreal executive joins Liberal race

By Bernard Simon in Toronto

THE RACE for the leadership of Canada's opposition Liberal Party began in earnest yesterday with Mr Paul Martin, an MP and former Montreal shipping executive, declaring his candidacy.

He is expected to be joined next week by Mr Jean Chrétien, another Quebecker and former cabinet minister, in the five-month race to win party support before a leadership convention in Calgary next June.

Two lesser-known candidates had already thrown their hats into the ring, but veteran left-wing MP Mr Lloyd Axworthy yesterday ruled himself out of the running.

No one besides Mr Martin and Mr Chrétien, with a realistic chance of winning, has yet expressed interest in leading the party.

Some Liberals, however, want a wider choice and would like to see other strong candidates, notably one of the popular Liberal provincial premiers of Ontario, New Brunswick, Newfoundland or Prince Edward Island.

Mr Martin, 51, is the son of a former senior cabinet minister but only entered parliament last year, having revived Canada's biggest shipping company.

His appeal for support is expected to focus on the need for a fresh face leading the Liberals.

The new leader will take over from Mr John Turner, whose unhappy 5½-year tenure has been marked by Liberal defeats in two general elections and by constant bickering over his leadership and key party policies.

Reflecting this, Mr Martin and Mr Chrétien have sharply divergent views on the thorniest political issue in Canada – the constitutional agreement known as the Meech Lake accord.

This recognises Quebec as a "distinct society" and gives the francophone province the right to promote its unique character. It also gives all ten 10 provinces various powers at the expense of the federal government.

The accord needs to be ratified by all provinces by June 23 in order to come into force. Manitoba and New Brunswick have so far refused to give it their blessing and Newfoundland has threatened to revoke its approval.

Mr Martin favours Meech Lake, provided a "parallel" agreement be drawn up to take account of objections to it.

Mr Chrétien, 56, is a federalist who wants the accord scrapped. In a widely-publicised speech, he said in Ottawa this week that the "distinct society" clause should not have the force of law. "It is time to stop the nonsense that the debate is between those who are pro-Quebec and those who are against Quebec," he said.

Colombian drug barons call halt to mayhem

By Robert Graham in London and Lionel Barber in Washington

COLOMBIAN drug traffickers yesterday announced a halt to their five-month campaign of bombings and assassinations. This is a bid to capitalise on the growing propensity in the country for making a deal with them.

The announcement came as the US shelved plans to deploy a naval task force to block drug trafficking off the Colombian coast, after objections from the Bogotá government.

A statement from The Extraditables (a name used by members of the drug cartels who oppose extradition to the US) was read on radio stations at Medellín, centre of the drug trade in Colombia, yesterday by a woman who said she had just been released by them. Apart from a halt to their campaign of terror, the traffickers said they will stop cocaine exports and turn over their weapons, once they were given "constitutional and legal guarantees."

The Extraditables declared war on Colombia's political establishment on August 24, in response to President Virgilio Barco having launched, with US backing, a big offensive to stamp out the the country's multi-billion dollar drug trade. Since then, the traffickers have carried out more than 200 bombings, including the mid-air destruction of an Avianca airliner.

The offer to end the campaign came in response to a document issued by the Roman Catholic Church and two former presidents, one of them the head of the ruling Liberal Party.

It was supported by other Colombian political leaders, including the head of the main opposition Conservative Party and the leader of the main left-wing party, the Patriotic Union.

However, the Barco Government was quick to scotch any suggestion of trading a pardon for the drug barons in return for a halt in cocaine exports.

The barons' offer comes before an international drugs summit at Cartagena in Colombia in February, when the US and the Andean states will discuss options for dealing with the problem. But US strategy is under a cloud after the decision to postpone the US naval operation off the Colombian coast. This is an embarrassment for President George Bush, who sought by telephone only last week to reassure Mr Barco about the merits of the plan.

The Colombians were enraged when the US Defence Departmenmt disclosed the operation prematurely late last month and allowed it to be known as a "blockade" of Colombia. Coinciding with the US invasion of Panama, the operation amounted to a case of "bad timing, bad handling, in other words, a mess," said a Washington diplomat.

This week, the Pentagon was due to unveil its plans for expanding the US military's role in anti-drug operations. The deployment of an aircraft-carrier battle group with support ships and aircraft, was to be the centre-piece.

Several questions remain, though, as to whether such a costly, sophisticated deployment would be the best tool to combat drug trafficking. Some observers describe the plan as "gross overkill."

The administration has shelved the carrier group plan but it seems certain that Mr Bush will promote, at the Cartegena meeting, some closer military co-operation with Colombia and other Andean countries, not least because the authorities need more information about the pattern of drug trafficking and the intensity of activity, particularly the number of cocaine-carrying aircraft leaving Colombia for the lucrative US market.

Brazilians urged to confront apocalypse

Restructure economy or face social explosion, say economists, John Barham reports

AGAINST all the odds Brazil's economists have reached a conclusion – and it is is apocalyptic.

Professor Joaquim Cirne de Toledo of the University of São Paulo said: "We must have a major stabilisation programme which will bring painful collateral effects of recession. We must cut off – scrap – pieces of the economy."

Prof Toledo's pessimism, widely shared among his colleagues, might seem out of place. Preliminary government figures say gross domestic product expanded between 3 and 4 per cent in 1989. Unemployment has fallen officially to 2.5 per cent. Industry is working at full capacity. Corporate profits have increased sharply. The trade surplus has fallen by more than 15 per cent as exports declined and imports surged.

The problem, of course, is inflation. Prices rose by 1,765 per cent last year – a record – and may hit 70 to 100 per cent in March, when President-elect Fernando Collor de Mello is to take office. Inflation has created an artificial boom as consumers hurry to dump rapidly depreciating currency for tangible assets. Companies increase their stocks for the same reason.

Prof Toledo could have spoken for all Brazil's economists when he said: "Because Brazilian inflation has very deep roots, in the structure of society, it is not enough to change a few things. The structure of the economy must be changed."

He and other would-be reformers point to an over-blown financial sector, which might have to shed various banks, and to heavy industry, car manufacturing and the protection of domestic computer makers against imported competition, as examples of the need for severe trimming.

The prospect of the elimination of uncompetitive industries and of economic liberalisation, horrifies the industrial establishment and unions. Yet the rewards of reform would be great, say the economists. It would enable the economy to grow again at 7 per cent a year (Brazil's average growth rate between 1945 and 1981).

Industry would become more efficient as it responded to new price structures purged of such distortions as incentives, subsidies and low prices for government-supplied inputs. Prices would fall and the quality of goods would improve as competition from abroad penetrated the economy.

Despite the grim outlook for this year, private companies plan to go ahead with investment plans. A survey by Exame, a business magazine, found that Brazil's biggest companies plan to raise investments 17 per cent to the equivalent of $13bn in 1990. A further $15.2bn could be invested in 1991.

Even so, change would be painful in a country as poor as Brazil and, in any event, success is far from guaranteed. Adjustment may take too long to be politically viable in an unstable democracy.

Mr Collor is due to take office on March 15. Observers doubt he will dare implement radical reform. This week his transition team began detailing an emergency policy to stop inflation in its tracks, abolish subsidies and liberalise the economy. But Mr Collor says he will keep his campaign promise not to cut wages or growth.

Brazil's last two presidents have shrunk from radical surgery. They have muddled through with considerable success. But the illusory prosperity has made people complacent and the economists are made to sound like dangerous prophets of doom.

Inflation is an opiate in Brazil. The poor, inflation's greatest victims, are beguiled by the illusion of wages that rise by more than 50 per cent a month. Prices lose meaning. The business community's judgement is blurred by the massive profits seemingly earned by constant raising of prices. The monied classes profit from lending to the government at extortionate interest rates.

Mr José Geraldo Gardenelli, an executive of the Pão de Açúcar retailing group, said profound economic adjustment "will only work if society is prepared to back radical reforms and I don't feel there is a consensus for this." Another observer added: "Each social group cynically believes it can beat inflation and so the government cannot control inflation alone."

Mr Collor, as the first popularly elected civilian president in 29 years, must compromise with Congress, employers and trade unions.

However, Mr Walter Barelli, an economic adviser to the left-wing Workers' Party, said: "Real wages have been declining for years, but that has never moved businessmen to stop inflation." Companies blame the government, which they say has never cut spending, which they say is the real cause of inflation.

Mr Collor's policies will have to be approved by Congress. But most of its members will face elections in November, when Mr Collor's tiny National Reconstruction Party (PRN) will need to win many votes to strengthen the government's backing in Congress.

But there is a growing sensation that, unless Mr Collor acts decisively, Brazil could soon be consumed by a hyper-inflationary conflagration, which would be far more costly, far more threatening than recession.

Mr Wallace Cochrane, a banker, said: "We must realise that the election was perhaps the last opportunity for a peaceful revolution. Poverty leaves a social explosion imminent."

US airlines report rise in annual air crashes

US AIRLINES had 11 fatal crashes last year, the most in a single year since 1968, the National Transportation Safety Board said yesterday, AP reports from Washington.

In all, 278 people were killed in 1989 in flights involving scheduled and non-scheduled air carriers, down slightly from the 285 in 1988, the board said.

The most deadly year of the decade was 1985 when 526 people were killed in seven fatal commercial aviation accidents. The least destructive year was 1980 when only one fatal accident took place, killing just one person.

Also last year, 763 people died in accidents involving private or general aircraft, the safety board said, the lowest figure for that category since it began keeping statistics. There were 781 deaths involving general aviation accidents in 1988.

The board said the fatal accident rate for general or private aviation continued "an improving trend that lasted most of the decade."

Despite the high number of airline accidents involving fatalities last year, the overall accident rate for commercial air carriers and commuters declined, the safety board said.

There were 28 accidents involving US scheduled and charter airlines last year, a decrease from the 32 accidents recorded in 1988. The 11 involving fatalities were the most since the 15 of 1968.

The fatal accident rate was 0.144 for every 100,000 scheduled and charter departures, up from 0.026 in 1988.

The major scheduled US airlines had 24 accidents last year, down from 31 the previous year. Of those two dozen accidents, eight involved fatalities, the most since 1973.

Accidents involving scheduled airlines took 131 lives last year, 111 of them when a United Airlines DC-10 crashed in Sioux City, Iowa on July 19.

The safety board noted that a passenger who died 31 days after the accident was not registered in its statistics.

Mexican debt deal to be signed

MEXICO'S new bank financing package, to operate from 1989 to 1992, will be signed on February 4 at a ceremony in Mexico City. President Carlos Salinas de Gortari is keen to use the occasion to meet senior bankers in Mexico, reports Deborah Hargreaves.

The Mexican government has invited senior executives of the 15 advisory committee of creditor banks to the ceremony. Non-committee banks will sign the loan documents in New York on February 7.

Mexico and the banks reached final agreement last week on the refinancing, which will cut $7bn from the country's commercial bank debt and cut its annual interest bill.

About 450 banks are participating in the package, which covers Mexico's $48.5bn in medium and long-term debt. The signing will mark the first successfully completed debt reduction deal done under US Treasury Secretary Nicholas Brady's debt initiative, which he unveiled in March 1983.

The Philippines and Costa Rica have also negotiated debt reduction programmes under the plan but have yet to sign their deals.

Sri Lanka takes its place in the annals of savagery

David Housego, recently in Colombo, reports on the authorities' violent crushing of the JVP revolt

ALMOST certainly, only the tip of the barbarity and brutalism of the Sri Lankan conflict has come to the surface. But if 30,000 people have been killed in the struggle between the Sinhalese JVP movement and government forces, as some diplomats believe, it is one of Asia's worst post-war episodes of violence.

It takes its place as an ugly landmark along with the riots in post-partition India, the Korean and Vietnamese wars, the suppression of the Communists in Indonesia by Sukarno, and Pol Pot's reign of terror in Kampuchea.

The savagery of the conflict has created its own momentum of ever more gruesome atrocities. The JVP first, then the armed forces in retaliation, took to leaving dead bodies by the roadside and then igniting them with rubber tyres. In the Kandy district in central Sri Lanka, paramilitary forces recently cut up bodies and draped them from roadside trees – as though a burning body alone was no longer sufficient to intimidate opponents.

Since July, when the JVP struck fear into the armed forces – and in retrospect brought about their own destruction – by threatening the families of the army and police, the armed forces have not concealed their use of torture. The scars of beatings and of burns through electric shocks are clear evidence on the bodies of those who have passed through detention centres.

Interrogation procedures appear to follow a systematic pattern beginning with a heavy beating and leading in the worst cases to a Sri Lankan invention of passing a plastic tube into the rectum with barbed wire inside – and then withdrawing the plastic.

But the contrasting reality is of a capital, Colombo, which has the festive mood of a city liberated after a long siege. Middle class Colombo celebrated the capture and killing in November of Rohan Wijeweera, the JVP leader, which led to the arrest and elimination of his colleagues.

Restaurants, long closed through curfews or JVP threats, have been packed. Shops stay open later and there are crowds on the streets. Business confidence is picking up as the government's claims to have almost crushed the JVP gain in credibility.

Mr Charitha da Silva, the humane and much-respected chairman of Aitken Spence, says of the investment climate: "Overall things are definitely beginning to take off." Aitken Spence, diversified in garments, freight handling, agro-business and tourism, expects record profits this financial year.

The fear, engendered by the massive police round-ups of JVP suspects, has helped the government carry through much-needed but unpopular IMF measures to remove subsidies and raise prices to market levels. The price of bread has risen by 38 per cent in the past two months, milk and sugar by 48 per cent, rice by 30 per cent. Inflation is cautiously put at 20 per cent higher than a year ago. But there have been none of the strikes and protests that were once a feature of democratic life in Sri Lanka.

Many in Sri Lanka's establishment have great difficulty in bridging these two worlds – between the killing and terror that they sense dominate lives in the interior and the comforting signs of a return to normal in Colombo.

At last week's meeting between the government and representatives of western donor nations to review economic performance, a senior civil servant was thrown off balance by the details of human rights abuses presented by the donors and by the increasingly blunt questioning he had to face.

One diplomat said of what is happening in the central and southern regions of the country: "In many villages life has come to a standstill. Many men of working age are not there any more. They have either left to save themselves or they have been killed." Another diplomat says "the fabric of society is being destroyed (by fear) and fear may soon paralyse the way society functions."

Driving up from Colombo last week to Trincomalee on the east coast I was struck by the sight of large numbers of children going to school for the first time in almost two years as a result of the reopening of classrooms. But equally striking was that there were few young boys among them.

There is no way of substantiating estimates of the numbers killed. The most obnoxious part of the Emergency regulations gives the security forces power to eliminate people without any trial or inquiry, or without even notifying their families. Parents often cannot establish whether their children have been killed or are simply missing.

European governments are pressing to get these classes removed on the grounds that they can no longer serve any purpose. Security forces apparently regard them as necessary during "mopping-up operations." But there is concern that their use could be extended from suspected JVP members to other opponents of the regime and "troublemakers."

The direction the country will take is difficult to foresee because President Ranasinghe Premadasa is a lone figure who does not take his cabinet or even his senior officials into his confidence. He seeks the advice of gurus and astrologers and was recently photographed being raised on a chair by a spiritualist.

But he is in a much stronger position than in August when the JVP threat was at its height, the foreign exchange reserves at an all time low, and he was faced with a difficult dispute with India.

Some think his pragmatism will steer him to solutions for other problems, from bringing the armed forces back under civilian control, to achieving some form of national reconciliation and a settlement in the north. But the civil war has opened a Pandora's Box, and it is still unclear what will emerge.

Hong Kong drops stock exchange charges

By John Elliott in Hong Kong

HONG KONG'S government prosecutors yesterday dropped all bribery charges against Mr Edward Woo, one of nine men facing corruption charges linked with stock exchange operations in the period up to late 1987 when Mr Ronald Li was the exchange chairman.

This is the latest in a series of moves by the government's Independent Commission Against Corruption to reduce the scope of charges it brought up to two years ago. All the men were linked with the stock exchange.

The charges allege that they accepted or solicited beneficial issues of shares and financial commissions. Mr Edward Woo was a member of the exchange's general and listing committees. The prosecutors' decision to withdraw all the charges is believed to have been based on factual evidence rather than legal points.

Yesterday the central magistrates' court transferred the remaining bribery cases against Mr Ronald Li and seven other defendants to the High Court for trial.

Defence lawyers are considering whether to appeal to the High Court to have the charges quashed. Last month the High Court acquitted Mr Li on two other charges. The government is to appeal against this decision.

Vietnamese dies in camp violence

By John Elliott

A VIETNAMESE man has been killed in the latest outbreak of gang violence to occur in Hong Kong's crowded and tense boat people detention centres. Nine other people were injured.

According to police, 20 masked men armed with home-made weapons burst into a hut at the high-security Whitehead detention centre on Tuesday night and attacked the inmates.

Violence has increased in the camps, which house nearly 56,000 boat people, since the British Government last month introduced a policy of mandatorily repatriating to Vietnam more than 40,000 people who do not qualify as refugees.

Mr Douglas Hurd, British Foreign Secretary, visited another of the camps earlier this week.

He was greeted by a 3,000-strong noisy but peaceful demonstration against the repatriation policy.

Yesterday Sir David Wilson, Hong Kong's governor, rejected allegations made in a British report that 51 people mandatorily repatriated last month had not been given sufficient opportunity to go home voluntarily. The report was prepared by Lord Ennals after a recent visit to Hanoi.

Bush in show of support for Aquino

By Lionel Barber in Washington

PRESIDENT George Bush yesterday sent Mr Robert Gates, his deputy national security adviser, to the Philippines in a show of support for the beleaguered Aquino government.

The White House said the high-level mission was intended to convey to President Corazon Aquino "President Bush's continuing strong commitment to democracy in the Philippines."

Mr Gates, a former deputy director of the Central Intelligence Agency, helped to co-ordinate US military support for Mrs Aquino during last month's coup, the most serious of six attempts over the past four years to remove her from power.

His visit comes amid rumours of a new move by the Philippine armed forces to topple Mrs Aquino. On Wednesday, the army arrested Navy Lt Commander Jaime Lucas, who helped direct the December 1-7 coup, at a Manila hideout.

The White House said Mr Gates would consult with Mrs Aquino on economic and security measures, and would also meet General Fidel Ramos, the Defence Minister.

A spokesman said Mr Gates would not raise Washington's bid to renew the lease on the Subic naval base and Clark air force base, currently under negotiation.

This week, in a blow to the Aquino government, Mr Robert Dole, Republican leader in the Senate, criticised the amount of US aid earmarked by Congress for the Philippines. Although Mr Dole was chiefly targeting major recipients such as Israel ($3bn) and Egypt ($2.1bn), he also singled out the Philippines ($360m).

Bougainville guerrillas intensify attacks

By Chris Sherwell in Sydney

SECESSIONIST rebels on the strife-torn Papua New Guinea island of Bougainville have stepped up their terrorist attacks in response to the all-out military offensive launched by the Government last week.

Reports from Port Moresby said six people died and 11 were injured yesterday when 70 to 100 rebels used shotguns and petrol bombs to attack a jail north of the island's capital, Arawa, and release its Bougainvillean inmates.

In another incident a Sikorsky helicopter was destroyed by fire at Panguna, the site of the now-closed Bougainville copper and gold mine operated by CRA, the Australian resources group. On Tuesday Panguna's police station was attacked and one person died.

The mine has been a source of controversy for islanders ever since it began operations in 1972, and has provided a focus for secessionist sentiment since Papua New Guinea gained its independence from Australia in 1975.

A group of maverick but militant local landowners, unhappy about the mine and the compensation given for its establishment, launched a campaign of sabotage and arson in November 1988.

Led by Mr Francis Ona, a former mine employee, they called for massive compensation of Kina 10bn (£6.25bn). Although they successfully disrupted production, they did not force a halt until May.

An attempt by CRA to resume mine production in September failed spectacularly after further rebel attacks on mine employees and power-supply pylons. At the end of December attempts to maintain the plant in a state of readiness were abandoned. The mine is the country's principal source of foreign exchange and main domestic contributor to government revenues.

Mr Rabbie Namaliu, the Prime Minister, was forced last week to introduce a package of economic measures, including a 10 per cent devaluation of the kina, spending cuts, credit controls and pay curbs. He also ended all attempts at a negotiated settlement and ordered a military offensive against the rebels.

The announcement has now precipitated the most murderous rash of violence yet. It coincides with high-level discussions with four Australian government ministers, beginning today. Mr Namaliu is thought likely to ask for increased aid and perhaps, additional military assistance.

●BURMESE OPPOSITION LEADER BANNED FROM ELECTION

Democracy process loses more credibility

By Roger Matthews in Bangkok and Chit Tun in Rangoon

Aung San Suu Kyi, the Burmese opposition leader, was banned yesterday by the military regime from participating in general elections scheduled to be held on May 27.

The Rangoon division sub-elections commission reversed an earlier commission decision overruling objections filed against Aung San Suu Kyi.

The initial reaction from foreign diplomats in Rangoon was that the regime's decision removed any vestige of hope that the election would be a fair test of public opinion or produce a government which enjoyed popular support.

Filed by her rival candidate U Laban Grong of the National Unity Party, the former Burma Socialist Programme Party, the objections are based on Ms Suu Kyi's marriage to a non-Burmese citizen (Dr Michael Aris, an Oxford don), her long residence in Britain,and the alleged links between her and her party, the National League for Democracy (NLD), with insurgents operating at the Thailand-Burma border.

Burma's main aid donors, headed by Japan, have tied a resumption of financial assistance to free elections and sweeping economic reforms. Japan stressed last autumn that it was particularly concerned about the fate of Ms Suu Kyi who has been under house arrest since July. It is a measure of the regime's isolation and indifference to international opinion that it has chosen to ignore these warnings.

As secretary-general of the NLD, Ms Suu Kyi had drawn massive crowds to her rallies before the military crushed the pro-democracy movement in September, 1988. Former General Tin Oo, the chairman of the NLD, was last month sentenced to three years' hard labour for allegedly attempting to sow dissent within the military, while hundreds more party workers have been held for months without trial. Reports of torture have been widespread.

The regime has also banned U Nu, the last elected Prime Minister of Burma, who was overthrown by the military in 1962, from participating in the elections.

A spokesman of the NLD said the party would be appealing the ban on Ms Suu Kyi.

Ms Suu Kyi addressing a party meeting before her house arrest

Afghan rebels agree leadership formula

By Christina Lamb

AFGHAN guerrillas have once more claimed to have reached agreement on a formula to find a new, more credible leadership to oppose the Soviet-backed government in Kabul. However, within hours some leaders were denouncing it.

The announcement that a grand assembly would be convened to select a new resistance government instead of elections promised earlier, came on the eve of discussions between the rebel leadership and Mr Robert Kimmitt, the US Under-Secretary of State, who is in Pakistan to review Washington's policy before US-Soviet talks in Moscow next month. He is the highest-ranking State Department official to visit Pakistan since last February's Soviet troop withdrawal from neighbouring Afghanistan.

The interim government formed by the rebels almost a year ago is widely acknowledged to have failed both politically and militarily.

It has been unable to move into Afghanistan despite claiming to control 90 per cent of the country. It has yet to broaden its base and attract in some of the 1.5m refugees in Iran, and one party, that of Gulbuddin Hekmatyar, which has received most support from the US, walked out in August. Recently the rebels have been under heavy pressure from their US backers to bury their differences.

Abdul Rahim, a spokesman for a joint rebel news agency, said Mr Kimmitt wanted something for the US Secretary of State, Mr James Baker to take to next month's meeting with his Soviet counterpart, Mr Eduard Shevardnadze.

The new leadership formula provides for a grand council, or shura, of between 2,000 and 3,000 people. All the delegates were to come from inside war-weary Afghanistan, though they also will represent the estimated 5m Afghans living in squalid refugee camps in Pakistan and Iran.

But the formula does not allow for participation of Afghanistan's ruling communists, something Moscow has repeatedly demanded, and reverses an earlier promise to hold elections. Mujahideen sources said it was only by making the proposals vague that an agreement was reached at all. At least one leader argued that any form of election was un-Islamic.

Sisulu in plea for unity to exiled ANC rank-and-file

By Nicholas Woodsworth in Lusaka

AFRICAN National Congress leader Mr Walter Sisulu, in his first speech to members of the ANC in exile, appealed yesterday for unity in the run-up to talks with Pretoria.

Mr Sisulu, released last October after more than 25 years of imprisonment in South Africa, addressed several hundred rank-and-file ANC members in the Zambian capital of Lusaka, headquarters of the banned organisation.

He was enthusiastically greeted on his first trip out of South Africa with songs and dance by party members, many of whom have been in exile for over two decades.

Mr Sisulu paid tribute to the political, organisational, and military contributions made by the ANC in exile. Their sacrifices for the anti-apartheid movement made the exile's role the most difficult of all.

While Mr Sisulu praised the past activities of the organisation's military wing, he emphasised the importance of rank and-file support for initiatives by ANC leaders to achieve a negotiated settlement with Pretoria.

A constant theme throughout Mr Sisulu's address was the vital need for discipline and unity within the ANC. Observers believe the message was directed towards militant ANC members who continue to believe that violence will achieve more than negotiation.

Anti-apartheid group to disregard ban

By Our Foreign Staff

SOUTH AFRICA'S largest anti-apartheid coalition, the United Democratic Front, which has had to operate covertly since its activities were curbed two years ago, said yesterday it was resuming open operations as a challenge to the Government, AP reports from Johannesburg.

UDF leaders representing more than 600 organisations with more than 2m members, said they would re-open offices across the country and begin planning for a national conference in April.

"In what we see as a challenging period ahead of us, we have decided to claim our rights to engage in open opposition activity," Mr Murphy Morobe, one of the coalition's chief spokesmen, said at a news conference.

"We owe it to our people that the leadership of our movement is openly available at this crucial moment in the struggle."

Mr Morobe also said a delegation of 22 front leaders planned to meet Mr Nelson Mandela, jailed leader of the African National Congress. Mr Mandela is expected to be released shortly after nearly 28 years in prison.

The UDF, formed in December 1983, has been the most effective anti-apartheid force in the country until the Government clampdown in 1988.

The Mass Democratic Movement, which took its place, has been little more than a front for the UDF. The Front's re-emergence is seen as part of complex process surrounding the expected release of Mr Mandela.

The Government is expected to lift the ban on the ANC and UDF but curbs on the two organisations have been relaxed to ensure that Mr Mandela does not enter a political vacuum.

The UDF, which shares the ANC's goals of a non-racial democracy, was established in 1983 to mobilise resistance to a new constitution that entrenched the exclusion of the black majority from parliament.

Many leaders of the organisation were detained for two to three years after a nationwide state of emergency was declared in June 1986. In February 1988 the Government listed the front among 17 organisations prohibited in engaging in any activities.

"The emergency has hurt us and at some levels disorganised us," said Mr Azhar Cachalia, a member of the front's executive committee. "But the main purpose of the emergency – to smash the UDF – has failed. We are probably stronger now than we have ever been."

He said the decision to resume overt operations was intended as a challenge to President F.W. de Klerk, who since taking office in August has eased restrictions on anti-government protests and invited black leaders to help negotiate a new constitution that would extend some form of political rights to blacks.

No such thing as a straight bat in S African cricket

Unequal spending, separate suburbs and segregated schools keep players apart, writes Patti Waldmeir

IT IS difficult, anywhere in the world, to hold a rational conversation with a sporting enthusiast about his favourite game. When the fan is South African, and the sport is cricket, the task is daunting.

For normal sporting passions have been inflamed recently by controversy over the rebel English cricket tour of South Africa, due to begin next week.

Supporters of the tour claim that the freedom to watch Englishmen play cricket against South Africans is an inalienable human right – on a par with freedom of speech – while opponents deplore this breach in the international sports boycott which they believe has brought big concessions from Pretoria on wider political issues.

The National Sports Congress (NSC), which is co-ordinating opposition to the tour in South Africa, puts it in strong language: "The tour is an act of racism which is immoral and intended to serve a small and predominantly white constituency against the wishes of the majority."

Both sides recall a similar controversy, 20 years ago, over a planned tour by an English team that included the exiled South African-born "coloured" (mixed race) player Basil D'Oliviera. The tour was cancelled after the South African Government claimed D'Oliviera, a naturalised Briton, was selected purely to try to embarrass it.

Supporters of this year's tour say that since that time, South African sport has become almost entirely non-racial. South African society remains segregated, they admit, but there is little cricket administrators can do about that. They complain that activists have shifted their demands. Originally they insisted only that sport get its own house in order; now they are demanding that there should be "no normal sport in an abnormal society", that is, until all vestiges of apartheid have gone.

But anti-apartheid activists refuse to accept that even the boycott's initial aim – the desegregation of sport itself – has been achieved. The man who orchestrated the protests in Britain which led to the cancellation of the 1970 tour, Mr Peter Hain, has recently visited South Africa; he concluded that 99 per cent of South African sport was still segregated.

The truth seems to be that while much of sport is integrated in theory, little is integrated in fact. The last bit of legislation enforcing segregation in sport disappeared at the beginning of the last decade, and the planned repeal of the Separate Amenities Act should halt a recent trend towards re-segregation of some local sporting facilities by Conservative Party-run councils.

STATE SPENDING ON SPORT: 1988/89*		
Item	Africans	Whites
Administration	R1.35m	R3.5m
Facilities and apparatus	R4m	R0.26m
Promotion	R2.6m	–
Research	–	R0.64m
Coaching and participation	–	R2.79m
Other	–	R0.94m
TOTAL	R7.95m	R8.13m
(Population	20.6m	4.9m)

*Budgeted for school and adult sport, excluding 'independent homelands', financial year
Source: South African Institute of Race Relations

However big legal barriers to integration remain in the form of the legislation imposing residential and schools segregation.

Teams from racially segregated schools do sometimes play against each another – though in some cases this requires the prior permission of every parent of every child due to compete.

But so long as schools themselves remain segregated – and just last week a National Party minister said his Government would never integrate them – then sport will be segregated at schools level. The habit of playing integrated sport will have to be learned later in life.

Residential segregation, too, perpetuates sport segregation: residents use the sporting facilities nearest their homes; until people from different races are allowed to live together more freely, it is difficult to see them playing together.

But if remaining apartheid legislation explains some of the failure to integrate, economics explains much more. Activists acknowledge that, under the law, sportsmen of all colours have equal access to teams at club, provincial and national level. They welcome the fact that Springbok colours are awarded on merit – at least in theory.

"But what prospect does a black man have of participating in the national team when he has not had adequate facilities or training?" asks Mr Krish Naidoo, a lawyer who heads the NSC.

An affiliate of the anti-apartheid coalition, the Mass Democratic Movement, the NSC was formed recently to combat apartheid through sport, and fight segregation within sport itself. It plans extensive protests against the rebel tour.

Mr Naidoo says that while black townships are served poorly enough with basics such as water and electricity, sports facilities are ignored almost completely.

"You find people using bamboo sticks as goal posts, in an undulating field," he says. "That doesn't make for good sportsmen."

Mr Naidoo estimates that 90 per cent of sponsorship money goes to white sport. And according to figures from the South African Institute for Race Relations, the budget for government spending on school and adult sport in the 1988/89 financial year was heavily biased towards white people. Roughly the same amount – R8m – was budgeted for whites and Africans; but as there are four times as many Africans, spending per capita on the country's 20m blacks was only a quarter of that on whites.

That was a significant improvement on 1983, when government spending on school sport worked out at R9.84 (£2.32) per white child, and less than half a cent per African child.

Nevertheless, the NSC opposes efforts by the South African Cricket Union (SACU), an avowedly non-racial body which is in fact largely white, to promote cricket among schoolchildren in black townships. Mr Ali Bacher, SACU managing director, says half the union's R5.5m annual sponsorship receipts are spent on township cricket, with tens of thousands of children playing nursery cricket round the country.

The NSC says the scheme, launched in 1986, was a transparent attempt by SACU – which is also organising the English rebel tour – to counter international opposition to the tour. "The tour will kill off the (township) development programme," predicts Mr Naidoo; activists who have long disliked the scheme will now pressure children not to compete.

Mr Naidoo welcomes the fact that some sports apart from cricket – athletics, road running – are largely non-racial already and others, notably soccer, are moving in that direction. But the animosity provoked by the rebel cricket tour looks set to delay integration in cricket for some time.

Even the end of apartheid altogether might not solve that problem: 10 years after Zimbabwe's independence, the country's national cricket team remains all white. Laws may be repealed, but the culture and economics of segregation may remain unchanged.

Somalia 'at war with own people'

By Julian Ozanne

THE dictatorship of President Siad Barre of Somalia has waged a campaign of terror and indiscriminate slaughter of civilians, according to a lengthy report published today by the human rights group, Africa Watch.

An estimated 50,000 to 60,000 civilians have been killed and thousands more displaced at the hands of the Somali army and security forces since the civil war erupted 19 months ago, the report alleges.

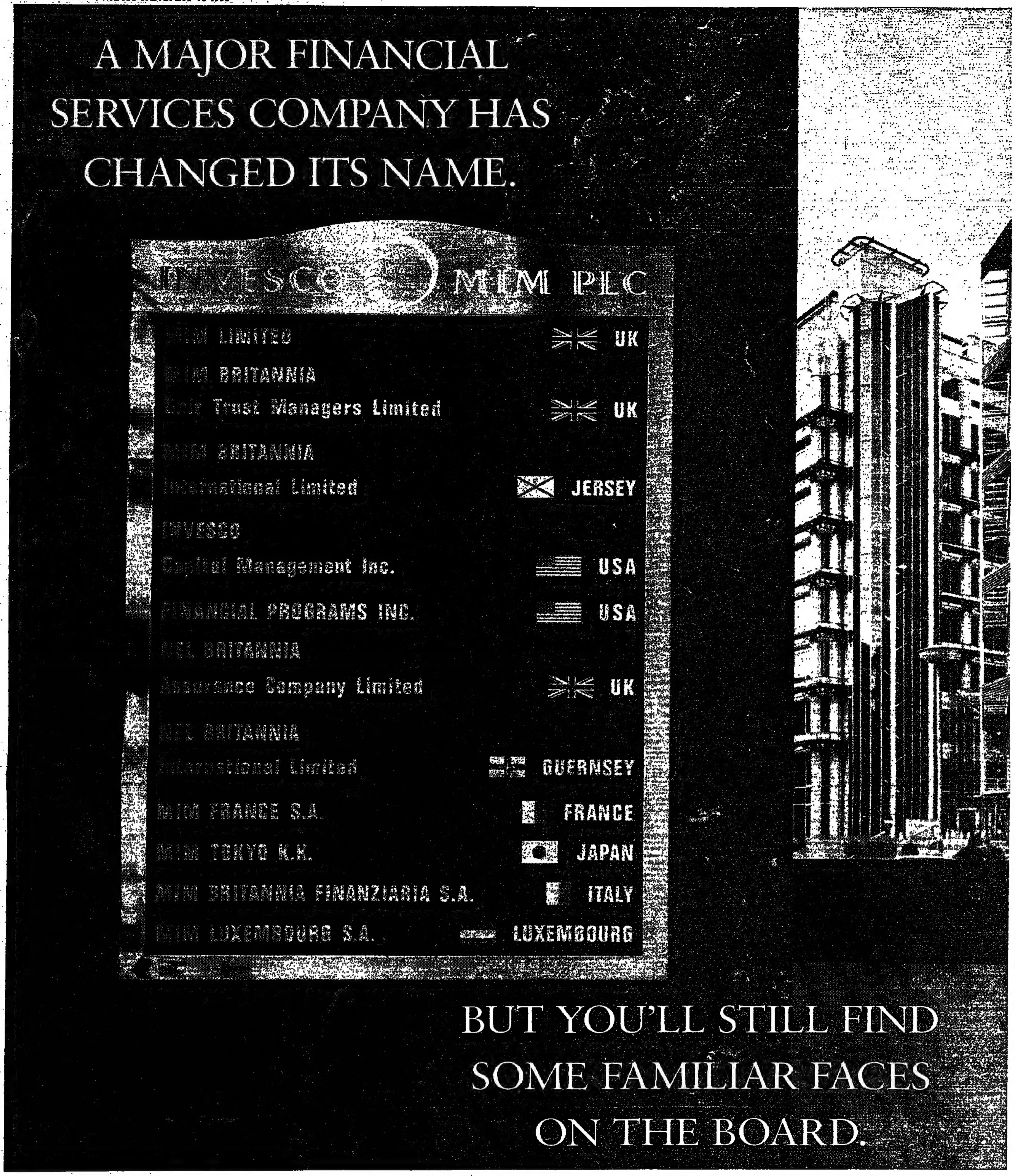
The 183-page document, based on extensive interviews with Somali refugees, paints a picture of the country slipping further into anarchy as the armed forces go on the rampage burning villages, bombing civilian targets, planting landmines and deliberately destroying reservoirs and livestock. "Entire regions have been devastated by a military engaged in combat against its own people, resembling a foreign occupation force that recognises no constraints on its power to kill, rape or loot," the report says.

The allegations come at a sensitive time for the faltering 20-year regime of President Barre. The US, Somalia's main foreign backer, has withheld more than $50m (£30m) in unspent aid dating back to 1987, largely because of growing concern in the US Congress about gross human rights violations. Britain and other Western donors have also cut back aid.

Any further suspension of aid could spell disaster for an economy crippled by an external debt of more than $2bn.

Reports from the countryside suggest that government control is now restricted to a handful of main towns and roads. The country has been without a government since President Barre dismissed the Cabinet last week.

Somalia: A Government at War with its Own People. Published by Africa Watch, 90 Borough High Street, London SE1 1LL



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WORLD TRADE NEWS

Toyota wins ambulance contract

By Robert Thomson

TOYOTA Motor Corporation, the Japanese car maker, has won a contract to supply 2,550 ambulances over the next 10 years to Hungary, a spokesman for the company said yesterday.

The company has reached agreement with a Hungarian trading corporation, Technoimpex, and will export 1,300 two-litre vans over the coming five years, and a further 1,250 vehicles in the second five-year stage of the contract.

A Toyota spokesman said that the company exported only 55 vehicles to Hungary last year, after exports of 181 vehicles in 1988, and 107 units in 1987. The company would not say how much the contract was worth.

The Toyota export contract follows an agreement last week by Suzuki, another Japanese car maker, to establish a joint venture to produce compact cars in Hungary.

China plans Thai truck venture

CHINA plans to manufacture trucks in Thailand in its first vehicle joint venture outside the country, the official China Daily said yesterday, AP-DJ reports from Peking.

The Jinan Heavy-Duty Trucks Group is negotiating with Chia Tai Group of Thailand for a project to produce 1,000 trucks a year for export, the newspaper said, quoting the China National Automotive Industry Corporation. It is hoped to reach an agreement in March or April.

Plans call for the joint venture to produce a 10-ton Huanghe (Yellow River) truck designed by the Jinan Automotive Works of eastern China's Shandong province.

The Bangkok-based Chia Tai group is a big agricultural conglomerate. It has invested more than $100m (£60m) in 28 joint ventures in almost 20 Chinese cities, the newspaper said.

Shanghai to assemble GPT kits

By Michael Skapinker

GPT, the British telecommunications equipment maker, is to supply kits for 29 digital business switchboards which will be partly assembled in Shanghai.

Although GPT has previously sold complete switchboards in China, these are the first partly assembled kits to be supplied under a joint venture agreement signed last year. The deal is part of a phased transfer of technology which will see the switchboards being manufactured in their entirety in China by 1992.

Under the £120m agreement, GPT joined forces with the China International Trust and Investment Corporation and with Factory 520, the biggest telecommunications plant in China, to form the Shanghai International Digital Telephone Company (Sidtec). Sidtec will supply the GPT business switchboard throughout China.

GPT is providing the partly assembled kits from its Beeston site in Nottingham.

EC upholds duties on CD players

By David Buchan in Brussels

EC governments, except for Britain, have confirmed the imposition of anti-dumping duties ranging from 8.5 to 32 per cent on compact disc players from Japan and South Korea.

The Council of Ministers decision means the European Commission will retain the duties it provisionally imposed on the CD players in last July. The Commission rejected an offer by several Far East CD exporters to raise their prices in the Community market, on the grounds that such price undertakings would be hard to monitor given the wide range of CD models.

Britain abstained in the Council vote, arguing that the Community industry did not need to offer models right across the CD range and that the Commission had not taken into account interests of EC consumers, only those of the main EC producers.

The Commission claimed that Philips, Grundig and Bang & Olufsen had been harmed by dumping which had by 1987 pushed the Japanese share of the Community CD market to 70 per cent and the Korean share to 5 per cent.

Irish exporters fear being made Europe's passenger

Kieran Cooke on the costs and delays in getting goods to market

MR TOM Delahoyde deals in mulch. His Avondale Garden Products company, in Ireland's County Wicklow, is doing a booming business exporting processed tree bark for decoration and fertilizer on the gardens of Britain and continental Europe.

But along with many other Irish exporters, Mr Delahoyde is fighting an ever more difficult battle to ship his company's products out of the country.

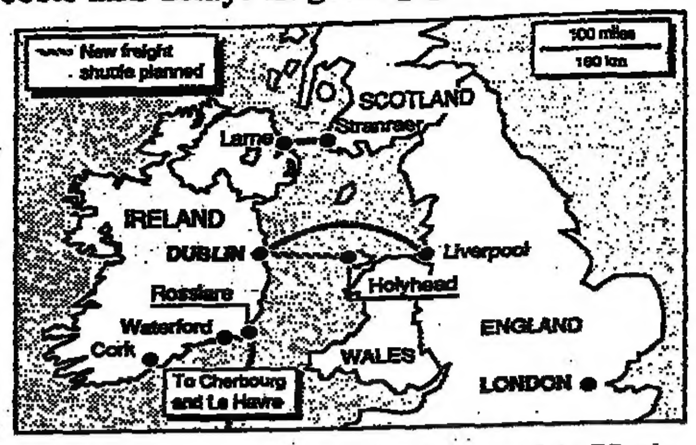
A sharp increase in Irish exports is causing shipping problems. Exports were worth I£10bn (£9.5bn) in 1987, more than I£12bn in 1988 and are likely to have topped I£14bn last year.

Exporters say that if present trends continue and the Government does not take urgent action, Ireland could fall by the European single market wayside.

When the channel tunnel is complete Ireland will be the only country in the European Community not directly linked with the continent.

The Irish Sea remains one of the most expensive stretches of water in the world. Compared with other European sea crossings, services are infrequent and vessels outdated. There are daily ferry services to the British mainland from Dublin, Rosslare and Waterford, the country's main ports, but crossings to ports in France – Cherbourg and Le Havre – are limited in winter to three a week.

Many Irish exporters prefer to send their goods by the longer route via Larne in Northern Ireland, where ferries depart for Stranraer in Scotland. "We export more than 90 per cent of our goods through Larne," says Mr Delahoyde. "It's still prohibitively expensive sending goods out of ports in the Republic, plus there are delays. We have to have exports delivered on time, if not we lose contracts."



Companies from the far south of Ireland often prefer to use the Larne/Stranraer route, even when goods are being delivered to the south-east of England or to western France. Roll-on roll-off ferries run almost continuously out of Larne – with more than 150 sailings a week. There are only about 80 sailings a week out of the Irish Republic's main ports.

Freight charges and port handling costs are far lower in Larne. The Larne port authorities work in shifts for 24 hours a day. In the Republic's ports work is from 9am to 6pm, everything else is overtime – and higher costs.

Mr John Kenna of the Confederation of Irish Industry says that transport costs account for about 9 per cent of the export value of Irish goods, compared with 4 per cent or less in most other EC countries.

"Ireland's economy is export led. We export between 60-70 per cent of our industrial output. Our road system is about 20 years behind some parts of Europe. We have to bring a whole range of transport, customs and port costs down."

Mr Kenna feels the EC should discriminate positively in Ireland's favour to overcome problems of access. Some say Ireland, as a "less developed region" has already had more than its share of the EC cake.

The Government plans to spend more than I£1bn over the next four years to update the transport network. While much attention is being given to an extensive road building programme, exporters feel that not enough is being done to ensure adequate ferry services across the Irish Sea.

Mr Seamus Brennan, Ireland's Minister for Tourism and Transport, admits that Ireland is a victim of its own exporting success but says plans are advanced for developments in the country's links with the outside world. He says a shuttle ferry service between Dublin and Holyhead in North Wales is being considered.

Ireland has also had a favourable response to requests to Britain for updating the road and rail connections with ports on the other side of the Irish Sea. There are also plans to develop an extensive air freight shuttle network.

"It's a new language in Europe now," says one exporter. "If the importer in Barcelona says he wants his goods there at 7am he means it. He's not going to listen to excuses about a lack of ferries or customs delays in Dublin. We must invest in the future now or else we'll be left behind."

BAe looks to sanitary ware to keep up momentum of Saudi deal

By David White, Defence Correspondent

BRITISH AEROSPACE is proposing to branch out into sanitary ware and feed additives for farm animals in its effort to keep up the momentum of the industrial offset programme attached to the £15bn UK-Saudi al-Yamamah arms deal.

The offset projects are part of a programme aimed at bringing £1bn of UK investment into Saudi Arabia. BAe, prime contractor for the arms supplies, is a partner in five of the eight proposals submitted so far.

The latest ideas involve acrylic sheet production - initially for sanitary ware but later for other uses such as furniture and boats - in collaboration with Rostero International of Switzerland, and a single cell protein plant with Danish Bio-protein of Denmark. Both would use local raw materials.

UK officials said the value of the ventures would depend on the result of feasibility studies.

Only two offset projects have been approved by the Saudis so far - a missile repair and maintenance facility and Rolls-Royce's involvement in the planned Middle East Propulsion Centre for overhauling jet engines.

Officials said they expected at least one other project to be approved shortly. The list of proposals includes an aluminium complex, an ordnance factory, a facility for making polyethylene yarn and computer training centres.

Humber Reynolds adds from Dubai: Lord Trefgarne, Britain's Trade Minister, has insisted that the al-Yamamah defence contract with Saudi Arabia is going ahead as planned despite reports that the Saudis have had problems financing the £15bn deal.

The arms contract to supply Tornado aircraft and a range of other defence equipment was first signed in 1985 and extended in 1988 to become Britain's biggest ever arms deal.

He confirmed that representations were made last year following an accumulation of arrears but he added that the Kingdom had made a "substantial payment" in December which cleared all the outstanding debts. The minister denied that Saudi Arabia was planning any modification of the contract.

Saudi Arabia is paying for part of the contract in the form of crude oil. The UK minister said talks are currently underway between the two sides on increasing the amount of oil supplied from the current level of 400,000 b/d.

Bridgestone to establish joint venture company in Malaysia

BRIDGESTONE, Japan's top tyre maker, yesterday announced it had established a joint venture company in Malaysia to start production of flexible polyurethane foam products, AP-Dow Jones reports from Tokyo.

Bridgestone officials said the new company, called Bridgestone Armstrong, is owned jointly with Armstrong Industries Singapore Pet and has completed construction of a factory in the Shah Alam industrial district in suburban Kuala Lumpur.

The plant, employing about 40 people, can produce an estimated 300 tons of flexible polyurethane form that is used for sound proofing or heat insulation in consumer electric products like air conditioners, vacuum cleaners and refrigerators.

It is the first factory in Asia capable of handling all stages of production of the foam, according to Bridgestone officials.

The joint venture, capitalised at the equivalent of Y120m ($845,000), is owned 85 per cent by Bridgestone and its affiliate and the rest by Armstrong.

Bridgestone officials said the polyurethane foam to be made in Malaysia will be sold to Japanese electric companies doing business in that country.

Their company has decided to set up the joint venture, officials said, because of expectation of a sharp increase in demand for the product in Malaysia.

Through manufacture of the foam in Malaysia, they added, Bridgestone will be able to meet the customer demand on a more timely basis and will also be able to contribute to the future growth of Malaysia's exports.

EC decides to increase steel import quotas

THE European Community (EC) Commission yesterday decided to go ahead with a plan to increase steel import quotas for five Eastern European countries and Brazil, an EC official said, AP-Dow Jones reports from Brussels.

According to the official, the increase would be on the order of 18 per cent.

The Commission yesterday decided to seek a mandate from the EC Council, made up of member states' foreign affairs and trade ministers, to negotiate the quota increases. By raising the quotas, the EC would restore quotas for the countries to their 1987 levels.

Since 1987, EC steel consumption has increased by 21 per cent, while the imports quotas for the six countries have risen by 3 per cent.

The East European countries are Poland, Hungary, Czechoslovakia, Bulgaria, and Romania.

The plan has run into opposition from Eurofer, an association of European steel producers.

The EC official said, however, that the increased quotas would not threaten EC steel producers. He said that of the East European countries, only Poland was able to fill 100 per cent of its EC quota in 1989.

He said the decision to negotiate higher quotas was meant mainly as a gesture of support for the East bloc countries. The decision was also meant to be part of the EC's efforts to dismantle its remaining steel import controls.

● The European Community's executive commission yesterday proposed speeding up the 12-nation bloc's plans to scrap substances that attack the earth's ozone layer.

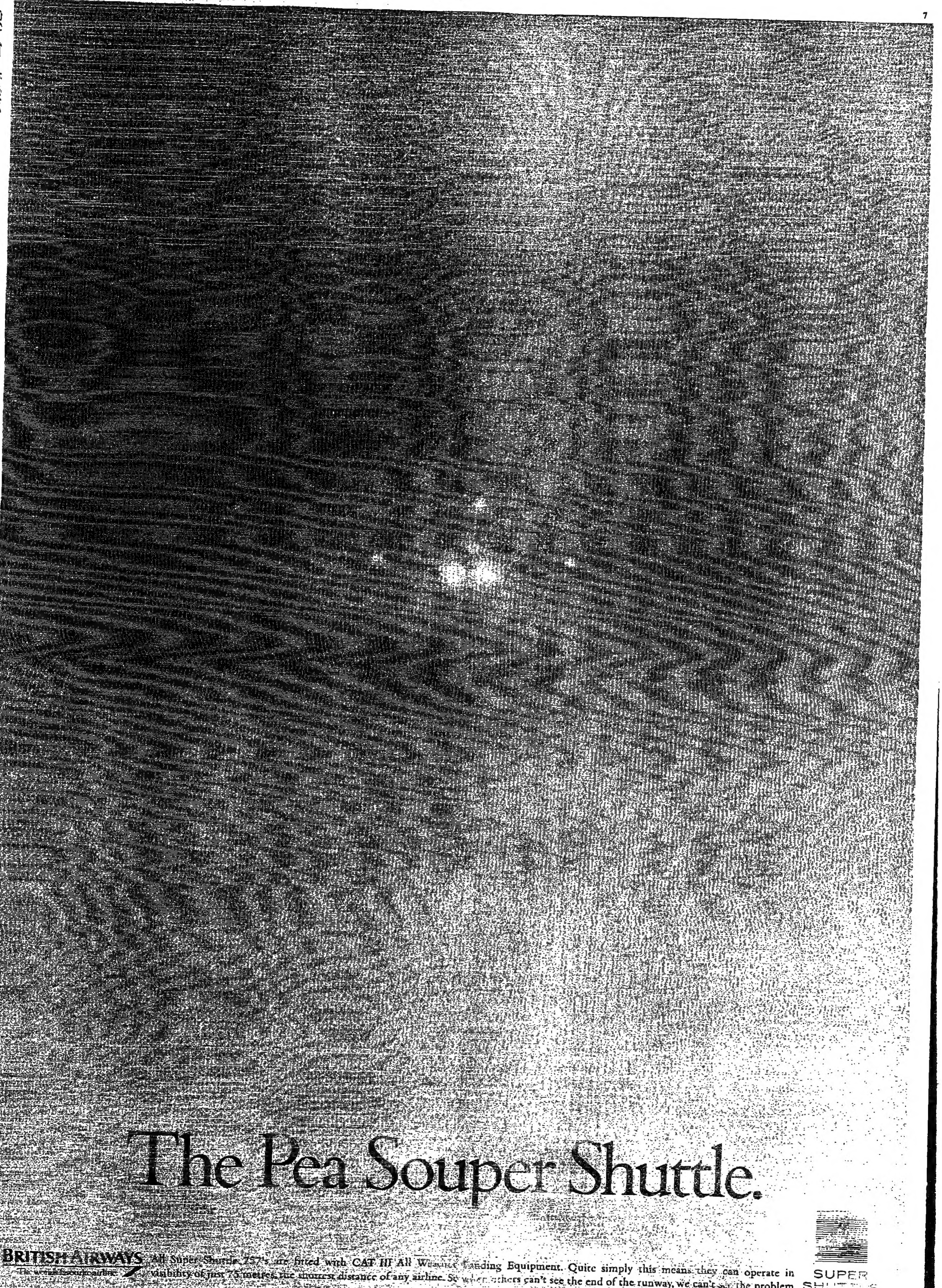
Britian boosts Soviet exports

BRITAIN boosted exports to the Soviet Union by nearly one third in the first 11 months of last year in a drive to break into new markets in Eastern Europe, Reuter reports from London.

British trade officials said on Wednesday that sales to the Soviet Union totalled $987m, up 31.4 per cent from January-November 1988.

Exports to all East bloc nations – the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Albania and Mongolia – rose 15.1 per cent to $2bn.

They said British businessmen had shown strong interest in breaking into East European markets following sweeping reforms in 1989 and there were now 68 joint venture companies registered with the Soviet Union. Britain's export drive to the Soviet Union made most headway with manufactured and semi-manufactured goods.


The Pea Souper Shuttle.
BRITISH AIRWAYS
All Super Shuttle 757's are fitted with CAT III All Weather Landing Equipment. Quite simply this means they can operate in visibility of just 75 metres, the shortest distance of any airline. So when others can't see the end of the runway, we can't see the problem.
SUPER SHUTTLE

Big deal in banking sector

Australians set to buy Yorkshire Bank for £900m

By David Lascelles, Banking Editor

NATIONAL Australia Bank is believed to have emerged as the winning bidder for Yorkshire Bank, the UK regional bank which has been offered for sale by its four clearing bank owners.

Details of the sale are expected to be announced today.

The deal will be one of the largest of its kind in the UK bank sector.

Banking analysts calculate that the sale price will be in the region of £900m ($1.5bn), putting it close to last month's record £950m bid for Morgan Grenfell by Deutsche Bank.

Although about a dozen banks are thought to have shown an interest in buying Yorkshire, NAB appears to have had only one serious counter-bidder in the final stages of the three month-long negotiations. This was a joint effort by Dresdner Bank and Banque Nationale de Paris.

The deal will make NAB by far the largest foreign bank in the UK high street banking market. It already owns the Clydesdale Bank in Scotland and the Northern Bank in Northern Ireland, both purchased from the Midland Bank three years ago.

The sale had been expected to attract much stronger interest from other European banks, for whom Yorkshire presented an opportunity to gain a foothold in another market ahead of the 1992 integration of the European Community. However, the high price tag placed on Yorkshire must have deterred many prospective bidders.

Yorkshire Bank has for many years been the most profitable bank in the UK, meaning that any buyer would also have to have the full support of Yorkshire's current management if it were to make the most of the acquisition.

Yorkshire's owners are National Westminster with 40 per cent, Barclays which holds 32 per cent, Lloyds with 20 per cent and the Royal Bank of Scotland with 8 per cent.

The bank has 247 branches, mostly in the north of England, and is believed to have earned a profits of about £115m before tax last year.

Teaching the 'dub-dubs' to spread a little happiness

Lisa Wood visits an American-style restaurant where teamwork is encouraged to give better service

EARLY every morning at the TGI Friday's American-style bistro in Reading, south-east England, there is a scene redolent of the roll call in *Hill Street Blues*, the American television series.

Waiters, waitresses and kitchen staff at the restaurant, just like the police in the fictitious US police station, attend a regular "pep talk" conducted by a member of the management team. The style and tempo are up-beat and the objective is to get the adrenalin flowing.

"The idea is not necessarily to make work fun," said Andrew Simpson, the restaurant's general manager, as he made a small drama out of presenting badges to the month's ten best "dub-dubs" (the chain's nickname for waiters and waitresses) at the day shift's meeting. "But this place runs like any team enterprise – you would never go out to a football pitch without a talk from your captain."

Team working is a philosophy much vaunted at TGI Friday's, a large restaurant chain started in Manhattan and now being developed under franchise in the UK by Whitbread, the brewing and retailing group. Whitbread has six such outlets – distinctive with their red-checked tablecloths, Tiffany lamps and antique bric-a-brac.

Different employers mean different things when they talk about team working and its formal development has tended to be most conspicuous in the manufacturing sector. But it is also well-suited to service industries where the need for people to pull together, be committed to the same objectives and to work with some degree of flexibility is at a premium.

Team working objectives at TGI Friday's were summarised by Beth Gertz, an articulate 21-year-old American student, who trained in a TGI Friday's in the US and is now working in the Reading restaurant.

Miss Gertz said: "For me, team working means that a group of people abide by a shared ethic of service. When guests walk through the door we should all be committed to making them welcome and giving them a good time. One ingredient of that is we do not wait to be asked – if guests sitting at a table which is not mine, for example, ask for something, I provide it. If there is dirty crockery around, I shift it."

Most British restaurants would pay lip service to such noble ambitions. But the reality is that waiters and waitresses are often surly and ill-disciplined in a business that has always paid poor wages and offered little training.

A smiling TGI Friday's team with Beth Gertz (left) behind manager Andrew Simpson

Visitors to the US, in contrast, are struck by the quality of service, with smiling waiters – sometimes over-attentive for British tastes – solicitous of every need.

It does not happen by accident. "Hard work is involved," said Tony Hughes, the chain's UK managing director, who, like all his managers, spent time in the US being drilled in the TGI Friday's culture.

Selection is the start of the process – with the restaurant chain looking for extroverts. In Reading for example, a town with less than 1 per cent unemployment, TGI Friday's management team hired a barge and advertised in newspapers for people to come along and attend "auditions". Party pieces included juggling glasses and flipping beer mats. Formal interviews of people interested in working at the restaurant follow.

"It is difficult to get people of the right calibre, and so we really push TGI Friday's and try to make it special," said Mr Hughes who admits to a reluctance to hire from the dole queues. "It's a certain personality and attitude that we are looking for."

Training, both on and off the job, lasts up to six weeks for hourly paid staff. Multi-skilling is not attempted, as in some forms of teamworking.

The enterprise is pulled together by the inculcation of a corporate culture – from company jargon, like "dub-dubs", to an examination in the first week on 27 "employee philosophies and theories" contained in a small white book.

The "Five Easy Pieces Theory" for example derives from an incident in a film of the same name. Here the star, Jack Nicholson, is told that the restaurant does not serve wholewheat toast. So he orders a dish in which toast is a component – without the rest of the ingredients. He is ordered to leave by a furious waitress.

The TGI Friday's handbook instructs: "We use this theory to reinforce the fact that if the guest wants an item and we have the ingredients to produce it, we will cheerfully make it and sell it to him."

Good work is rewarded by mechanisms like the "top ten" awards, based on several criteria, and a formal recognition programme of badges and stars. While these awards do not bring hourly paid workers any increase on their basic £3 hourly rate they are allowed to pick their own shifts. This can bring extra money because staff also earn a commission based on shift turnover.

For those who fall out of the "top ten" there is a quiet chat – based on the "hamburger stand theory" (page 10 in the white book) which is about the hamburger salesman who fell out of grace from God and was cast from the Garden of Eden.

Single-issue party launched to combat new health reforms

By Alan Pike, Social Affairs Correspondent

A SINGLE-ISSUE political party dedicated to helping defeat the Government over its National Health Service reforms, was launched yesterday.

The NHS Supporters Party will contest by-elections and field up to 50 candidates in Conservative seats at the next General Election. Its founding members are three general practitioners, but they want to build support outside the health service.

Dr David Watts, an Ayrshire GP and one of the founders, said the Government was "hell-bent on rushing into the destruction of the NHS," and all conventional forms of protest had been ignored.

"This is not a doctors' party, and it can succeed only if it spreads to involve the whole community."

The party intends to stand against the Prime Minister and all the English, Scottish and Welsh health ministers at the next General Election.

All other seats contested by the party, say the founders, will be ones which the Conservative Party would normally expect to hold. The leaders of the new party are aware that they are open to the charge that, by standing alongside established parties which are also opposed to the health reforms, they will split the vote and increase the chances of Conservative candidates holding their seats.

Dr Christopher Tiarks, a Welsh GP who stood as an independent pro-NHS candidate at the Vale of Glamorgan by-election, said seats would be chosen to minimise the risk of the NHSSP defeating its own object and letting Conservatives in. It would be possible for the party to advise its supporters on how to vote at a General Election.

The party's first public meeting took place last night in Finchley, North London, the Prime Minister's constituency. Item one on its manifesto declares that it has been established "to ensure that market forces, competition and commercial considerations do not govern the delivery of health care."

One of the party's first actions has been to write to MPs serving on the parliamentary committee which is considering the National Health Service and Community Care Bill. The letter argues that competition within a cash-limited health care system would produce winners and losers, and warns: "Your activities on this committee will be closely monitored. The NHSSP will ensure that the electorate in your constituency is fully informed of your activities."

Buy-outs survey puts UK well ahead in Europe

By Charles Batchelor

MORE than 300 buy-outs valued at a total of £20.4bn were carried out in Europe during the 1980s, according to accountants Peat Marwick McLintock.

The UK accounted for three-quarters of these deals followed, at some distance, by France, which accounted for just over a tenth by value. Peats only takes into account deals worth £10m each or more in its figures but it estimates that deals worth less than £10m would increase the total value by about 15 per cent.

The buy-out technique was imported into Britain from the US in the late 1970s and so became established earlier than on the Continent where the first large (£10m plus) deal - the £58m purchase of Van Nelle the Dutch coffee and tea group, from Nabisco, the US foods group - was in 1985.

It is for this reason that the UK dominates the European buy-out figures accounting for 230 deals worth £15.65bn between 1980 and 1989. Continental Europe accounted for 78 deals worth £4.72bn though Peats believes its figures are understating the number.

France accounted for more than half of continental European activity or 26 deals worth £2.37bn. Activity in France increased following the easing in 1987 of the rule which required employees to hold 51 per cent of the buy-out company for it to qualify for tax relief.

The second largest continental buy-out market was Sweden with eight deals worth £744m followed by Germany with nine deals worth £479m. In Italy 10 deals worth £403m were completed followed by Spain with two deals worth £176m.

British Coal chief warns of global cooling

By John Hunt

GOVERNMENTS should be preparing for a cooling of the Earth's atmosphere instead of trying to prevent global warming, Mr Jim Harrison, director of British Coal Corporation's research establishment, said yesterday.

"We may be moving towards a period of cooling in the next century as the next phase in the sun's cycle of activities comes around," he told the Institute of Petroleum in London.

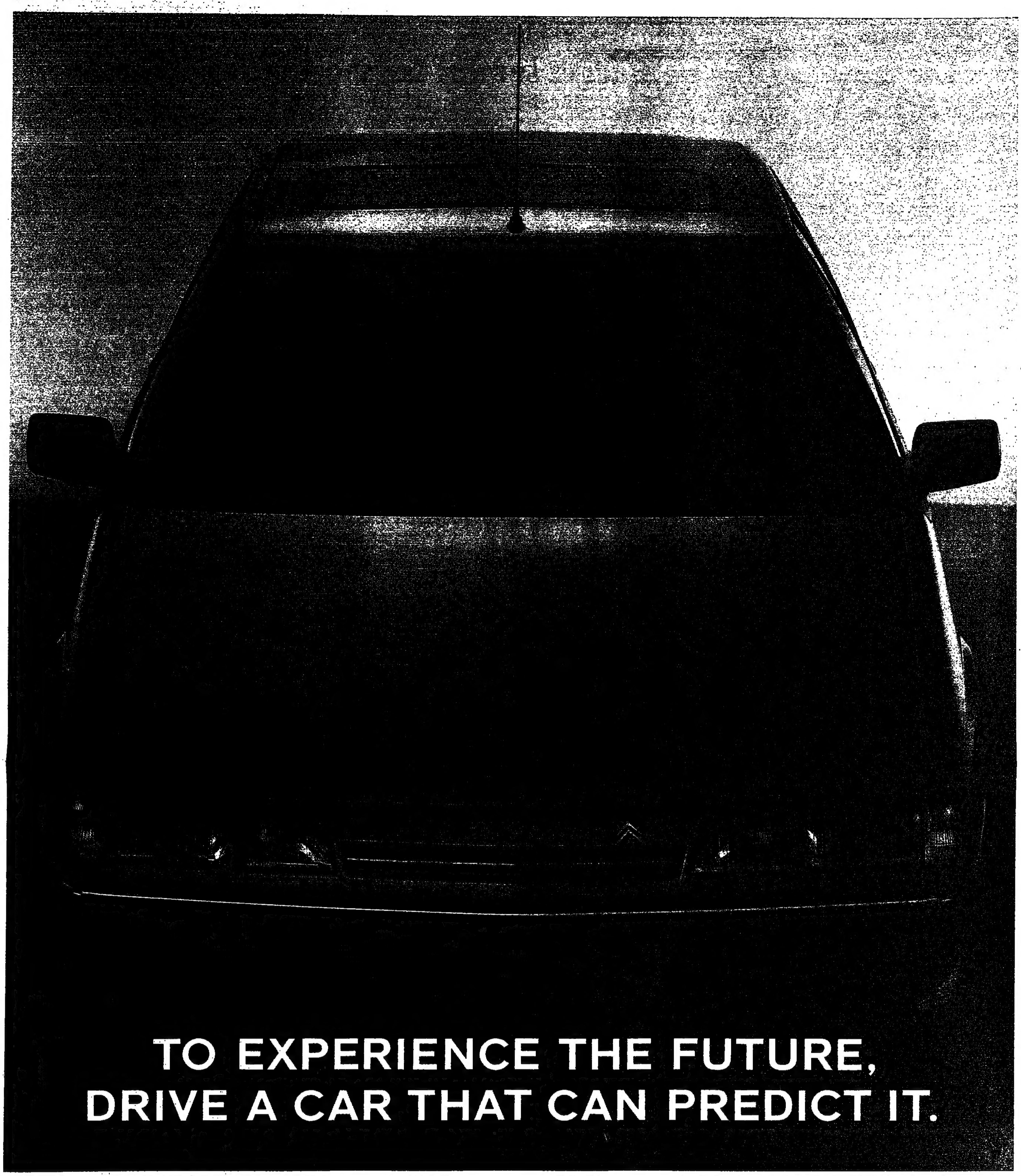
"And we may find we have been preparing for exactly the opposite conditions to those we actually experience."

His views will anger environmental organisations which have been urging governments to take action to prevent global warming. They blame coal and other fossil fuels for causing the build-up of carbon dioxide which is believed to be the main contributor to the so-called greenhouse effect.

Recently there has been a backlash among some academics against the assumption that mankind will face a global environmental crisis unless measures are taken to reduce emissions of carbon dioxide.

Mr Harrison quoted the recent study by the George C Marshall Institute in Washington in support of his argument. This suggested a closer correlation between temperature changes and solar activity over the past 100 years rather than with the creation of man-made greenhouse gases.

Mr Harrison doubted whether acid rain is the only cause of the decline of forest and pollution of lakes in Europe. The Scandinavians claim that the sulphur from coal-fired power stations in the UK is contributing to acid rain in their countries.


TO EXPERIENCE THE FUTURE,
DRIVE A CAR THAT CAN PREDICT IT.

Thatcher 'fury' at banks which quit loan scheme

By Emma Tucker

ACTION against leading UK high street banks was promised by Mrs Margaret Thatcher following their withdrawal from the government student loans scheme last December, according to a document leaked to the opposition Labour Party.

The information comes from a minute written by Sir John Quinton, chairman of Barclays Bank, recording a meeting he had with Mr John MacGregor, Education Secretary, on December 19 when the banks confirmed their withdrawal from the scheme.

In the minute, written for the Committee of London and Scottish Bankers, of which he is also chairman, Sir John described the meeting as "bruising" and said that Mr MacGregor, under instruction from the Prime Minister, had delivered a "severe reprimand" to the banks.

Mr MacGregor was quoted as saying that Mrs Thatcher was "absolutely fizzing with fury and was promising retribution (as yet unspecified) against the banks."

Downing Street denied last night that there had been promises of retribution by the *Prime Minister.*

Under the scheme, the banks - Barclays, Midland, National Westminster, TSB and the Royal Bank of Scotland - were to have acted as debt collectors for the Government. They decided not to participate following a fierce campaign against the scheme mounted by the National Union of Students.

Mr Jack Straw, opposition education secretary, said at a press conference yesterday that the threat of retribution was "very sinister."

He added: "This note reveals the Government's retreat from the normal standards of conduct which citizens and institutions in a democratic, free society are entitled to expect."

The bankers' committee said it was unhappy that a private document had been leaked. "The memo was a personal impression of a privileged conversation," a statement said.

Young defends terms of Rover Group sale

LORD YOUNG, *the former* Secretary of State for Trade and Industry who negotiated the controversial sale of Rover Group to British Aerospace in 1988, last night vigorously defended the terms of the sell-off, writes Kevin Done.

He insisted that the extra financial concessions granted to BAe did not constitute state aid, and therefore did not need to be disclosed to the European Commission.

Under close questioning by the House of Commons Trade and Industry Select Committee he accepted that the Commission could take a different view.

The previously undisclosed financial inducements to BAe totalling an estimated £38m are now under investigation by the Commission, which could demand repayment by BAe.

The £22m that BAe is estimated to have saved by delaying payment of the £150m takeover price after the deal was agreed, "does not represent state aid under the definition of state aid in the Community," said Lord Young.

MPs quoted a letter from Lord Young to Professor Roland Smith, chairman of British Aerospace, dated July 1988, in which he warned the BAe chairman of the "ascending order of risk" of the Commission "picking up" the delayed payment. Lord Young insisted that he had only wished to point out "openly" to Professor Smith that the Commission could take a different view on whether this delay represented state aid.

IN BRIEF

Inquiry to investigate council's market role

The London Borough of Hammersmith and Fulham has decided to set up an independent inquiry into its capital market activities following a High Court ruling that the local authority's interest rate swap transactions were unlawful. An appeal by the banks involved is currently under way.

Rises 'may stay high'

Pay settlements in the first half of the year may remain bunched between 7.5 and 10 per cent despite the Government's calls for them to be held down to curb upwards pressure on inflation, according to a study by the pay research group, Incomes Data Services.

Customs crisis

Shortages of Customs and Excise officers could have cost more than £60m in lost VAT revenue this financial year, according to a report by the comptroller and auditor general. The report highlights continuing problems of recruitment in London, which have undermined efforts to collect Vat.

Poll tax 'to hit £347'

The community charge, or poll tax - which is to replace domestic rates - is set to average £347 in its first year of operation in England compared with the figure of £278 forecast by the Government, the Association of London Authorities claimed on the eve of a House of Commons debate on local government finance.

Pilkington in £50m deal

The Ministry of Defence has awarded the Pilkington glass group a £50m production order for periscope systems to equip the UK's Trident nuclear missile-carrying submarines.

Flight control centre

The Civil Aviation Authority is preparing to file a planning application to develop a rural site in Hampshire for a new £200m air traffic control centre in the UK. *The centre will control all flights over England and Wales.*

Budget surplus far short of expectations

BRITAIN'S *public sector* surplus fell far short of City of London expectations in December, fuelling speculation of a stringent Budget and possible tax increases in March, writes Rachel Johnson.

The Central Statistical Office announced that the surplus - or public sector debt repayment - was £400m, in sharp contrast to the figure of £2.2bn widely predicted in the City.

Less buoyant tax and privatisation revenues, coupled with a big rise in public expenditure, have undermined the chances that Mr John Major, the Chancellor, will meet his end-of-year budget surplus target of £12.5bn.

The surge in expenditure was reflected in local authorities' borrowing needs of £800m, compared with £100m in December 1988.

"The Chancellor has every incentive to go for a tight Budget at this stage," said Mr Peter Spencer, economist at Shearson Lehman Hutton, a London securities house.

In its announcement, the CSO *said the surplus for the* first nine months of the 1989/90 financial year was £3.7bn compared with £8.7bn in the same period of 1988/89. This reduced budget surplus left the Treasury almost £9bn short of its £12.5bn target.

Excluding privatisation proceeds, the surplus in the nine months to December fell to just £100m from £2.6bn in the same period of last year. The Treasury said privatisation receipts shrank to £500m last month because of the £1.6bn "green dowry" that accompanied the water flotation.

Analysts at securities houses revised their forecasts for the budget surplus in 1989/90 down by £2bn to around £10bn-£10.5bn.

They cautioned, however, that this was still an optimistic target. It could only be reached if the Government reaped £7.5bn from *corporation tax* receipts this month and "barrel-scraping exercises" from small-scale privatisations.

"The speed at which the budget surplus has shrunk as the economy has slowed has taken us all by surprise," said Mr John Shepperd, economist at SG Warburg. "There is now a case for putting up taxes, not cutting them in the Budget," he said.

The Treasury said last month's £400m surplus was "significantly smaller" than expected, and £2.1bn less than the repayment in December 1988.

It said that the Government's *Autumn Statement,* however, had given warning of the "surge in local authority spending," and stressed that monthly figures, especially provisional ones, tended to be erratic.

Economists said last month's big increase in local authority spending reflected the heavy costs of preparing to implement the community charge.

The sudden shrinking of the budget surplus caused tremors in the gilts market, as traders contemplated an end of the authorities' buying-in of stocks to reduce the public debt. Longer-dated stocks fell more than a point in price in expectation that the Bank of England would start to issue gilts again next year, when the budget surplus is predicted to be as low as £8bn.

An added factor was the rejection by Ford workers of a new pay offer and concern over the inflationary wage claims.

● Mr John Major, the Chancellor, was urged yesterday to ignore calls for a tight Budget in March and instead cut £6bn off the tax burden of businesses and individuals.

Putting forward its ideas for the 1990 Budget, the Institute of Directors said real tax cuts were essential this year to encourage savings and business investment in Britain and to offset the effects of the tight *monetary* policy currently being used by the Government to combat inflation.

The IoD said the tax reductions in the 1988 and 1989 Budgets had failed to reduce the overall burden of taxation as a percentage of gross domestic product.

US trade deficit grows on impact of Boeing strike, Page 18; Lex, Page 18

A bitter policy pill rouses a sleeping giant

Peter Marsh reports that April 1 could spell doom for UK pharmaceuticals makers

MANY MANAGERS in the UK pharmaceuticals business are looking forward to April Fool's Day this year with a marked lack of enthusiasm.

It is not the prospect of practical jokes that bothers them but what they regard as a piece of political chicanery that some believe will damage the UK's £5 bn ($8.3 bn) a year medicines industry.

April 1 marks the start of a process, outlined in last year's government policy document, of forcing drug prescribing under tougher controls in an effort to restrict rises in the National Health Service's £2.4 bn ($4 bn) a year pharmaceutical budget.

The changes will affect not only drugs companies but the other main players - retail pharmacists, wholesalers and doctors - in the complex network by which prescription medicines are transferred to patients.

The overall impact of the shakeup, according to some in the medicines business, will be to put pressure on doctors to prescribe cheap generic copies of off-patent medications as opposed to the more expensive, newer products from which the *drugs industry derives* the bulk of its revenues and profits.

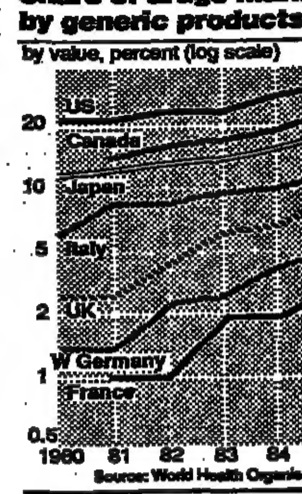
Sales of generic drugs are running at about £170m ($280m) a year, while the cheap imports - which often come from countries such as Greece and Italy - account for a similar figure. Neither adds up to a large part of the total NHS drugs budget, but both are growing.

The main losers should the figures continue to rise will be large UK-owned drugs groups such as Glaxo, Wellcome and Imperial Chemical Industries (ICI), which spend millions of pounds a year on the research needed to bring out new products.

Poised to benefit from the changes, at least in theory, are the generally much smaller generics-drugs businesses. These wait for the expiry of patents on large-selling medicines made by the mainstream industry and then sell copies at a lower price.

In recent weeks the large drugs companies, led by the Association of the British Pharmaceutical *Industry,* the main trade body for the business, have stepped up their attacks on the government proposals with a flurry of reports.

According to one, commissioned by the association, the measures in the discussion document will mean the mainstream companies "face both



considerable difficulties in getting new products on to the market and a substantial threat to revenues from existing products."

April 1 has caused forebodings in the industry because on *that date family practitioner* committees, which oversee the work of general practitioners, will be placed directly under the control of Britain's regional health authorities, the powerful agencies responsible for spending the £20bn ($33 bn) NHS budget.

According to the plans of Mr Kenneth Clarke, the UK's Health Secretary, this framework - which will replace the present structure of the committees in which their links to government are much looser - should the doctors into the budget-minded approach of the health authorities, placing greater limits on prescribing costs.

To achieve these aims, so Mr Clarke hopes, doctors must get into the habit of prescribing generic rather than branded formulations, avoiding excessively expensive drugs except where absolutely necessary.

The philosophy behind this approach has not gone down well with doctors, many of whom are keen to preserve their freedom to prescribe whatever they think will help their patients.

It has also alarmed the large drugs companies, which derive large profits from relatively small numbers of prescriptions of high-price products.

Public sympathy for the big medicines companies has not been helped by several occasions in recent years when the sector has loudly complained about the likely effects of other policy changes related to drugs prescribing - and has despite the protests emerged unscathed.

Mr Bill Gerard, chairman of Medeva, a medicines company which this week completed the takeover of Evans Healthcare, a leading generics supplier, says: "In the past the (research-based) industry has been guilty of shedding a lot of crocodile tears. But this time it's for real."

Nevertheless, the UK accounts for only a small proportion of sales for many large drugs companies. They may be able to balance the effects of any gloomier times in Britain with increases in business elsewhere.

The outlook may be poor for the mainstream, research-based companies, but few believe the generics sector is turning into a goldmine. This part of the industry is engaged in a price battle in which profits - which in generics are never high at the best of times - are being heavily squeezed.

That has followed decisions by leading drugs wholesalers like Unichem and Macarthy to cut prices of generic products they sell to retailers, putting pressure on manufacturers to reduce their margins. The large medicines companies may derive some comfort from the fact that while they may be catching a cold, the minnows are scarcely enjoying the best of health.

BUSINESS LAW

'Hijacking' now respectable in Japan

By Richard Pell-Ilderton

Until recently the word used by the Japanese for a corporate takeover was *nottori* which literally translated means "hijacking." The *nottori-ya* or takeover specialists were often tainted with *yakuza* (Japanese mafia) connections and the business had a sleazy image with connotations of green-mail.

During the past two and a half years all this has changed. Nowadays the expression "M&A" – mergers and acquisitions – can be seen (written in English rather than Japanese characters) in column headings on nearly every page of the Nikkei newspaper. Modern Japanese society is most susceptible to fads and crazes and corporate Japan is now gripped by M&A mania.

To the Japanese, M&A has a very broad meaning. It can encompass any type of direct corporate investment and even acquisitions of real property. But in almost all cases the target of the acquisition will be located outside Japan.

The principal hunting ground is still the US. Japanese companies made corporate acquisitions there to the value of $21.4bn in 1988. But now increasingly attention is being focused on Europe. This shift is explained in part by the growing trade friction with the US exemplified by the so called "Super 301" Clause introduced by the US omnibus Trade and *Competitiveness Act 1988* to punish trading partners deemed guilty of unfair trading practices which the Japanese view as a protectionist measure targeted solely at Japan.

In contrast to the colder climate in the US, the prospect of a European Market without internal barriers after 1992 has generated considerable interest among the Japanese. Post 1992 Europe with a consumer population of 320m will be an extremely important market place for Japanese goods and services. But there is also acute concern about the possibility of being excluded from the market altogether by Fortress Europe.

The risk of exclusion from the *unified market has* probably been exaggerated – at least as far as manufacturing companies are concerned. The 1985 Single Market White Paper contains no provisions discriminating against goods produced by non-EC companies although it is possible that pressure will increase in future for protectionist measures to be taken against such companies, especially if EC businesses are seen to suffer on account of the free circulation within the EC of goods produced by companies from non-member states.

For the time being, however, the trend seems to be moving away from protectionism as the European Commission is currently working on proposals to scrap bilateral controls on Japanese car imports in France, Italy, Spain, Britain *and Portugal with effect* from the end of 1992.

Japanese companies operating in the services sector have greater cause for concern as the benefits of the 1992 Directives in the area of services will be available only to companies established and, if applicable, authorised to conduct business within the EC.

It is intended that reciprocity will apply in certain sectors such as banking and investment services with the result that if restrictions are operated in Japan which prevent companies from even one of the member states from establishing a business presence in Japan, no Japanese company from the sector will be allowed to establish a subsidiary in any member state of the EC.

Although 1992 is focusing Japanese attention on Europe generally, the UK seems most *favoured* for Japanese direct investment. Its attraction can be attributed to several factors. The British Government has actively encouraged Japanese investment with generous regional and state financial aid and the corporate tax rate of 35 per cent is lower than in any other EC country apart from Spain. UK unit labour costs are also comparatively cheap.

By comparison with the UK, other EC countries have not been so welcoming to Japanese business. The French fought a protracted battle to treat Nissan Bluebirds manufactured in Sunderland *as Japanese* imports and thus subject them to a 3 per cent quota on the basis that the local content of the cars was below the 80 per cent required by France to qualify as European under its *own unilateral rules.*

The French Government was encouraged to take this stance by its domestic motor manufacturers. But last April it did a turn-about spurred in part by fears that France would be *shunned completely* by Japanese investors unless it softened its stance.

Until recently Italy was also seeking to include UK manufactured Nissans within its quota for Japanese imported cars but has now agreed to allow unrestricted entry to such cars although it continues to claim that they are Japanese and not European products.

To date Japanese direct corporate investment in the UK has been mostly by way of "greenfield operations," strategic minority stakes or joint ventures — although outright acquisitions are now on the increase. The majority of acquisitions have been of unlisted companies where the transactions are negotiated privately with the vendor, thus avoiding the glare of publicity associated with a bid for a quoted company.

A further advantage of buying an unlisted company is that the purchaser has much more scope for conducting an extensive due diligence investigation prior to the acquisition in order to discover hidden liabilities or other irregularities within the target company. In the case of an offer for a listed company this is not normally possible and the purchaser is left to rely mainly on publicly available information.

This makes private acquisitions particularly attractive to Japanese companies as their internal corporate procedure generally requires a project to be exhaustively researched before any decision can be taken to proceed.

Most acquisitions have been of unlisted companies and negotiated privately with the vendor

Once the Japanese company's acquisition team has obtained internal approval to proceed with a deal on particular terms it is very difficult for them to seek approval for changes to the structure, and their authority to agree even very minor changes without fresh approval is usually strictly limited.

Indeed a re-structuring of the deal part way through the transaction can be a Japanese acquisition team's nightmare. A change to the structure proposed by one of the other parties to the deal may in fact *benefit all concerned,* but if the Japanese company's team presents such a revised proposal to their senior colleagues for approval they are likely to lose face and be confronted with the question "If this structure really is better, why didn't *you* think of it in the first place?"

It is often assumed that Japanese companies avoid making hostile takeovers as to do so would destroy the target company's sense of *wa* or internal harmony and make it difficult subsequently to integrate the target as a member of the acquiring group. Whilst this may be one factor it is also the case that the inflexible internal approval procedure and inability to make snap decisions in the face of rapidly changing circumstances would in many cases rule out the possibility of a contested bid.

There has been one recent example of a Japanese acquisition of a UK listed company when Bank of Yokohama took over Guiness Mahon, but that was an agreed offer rather than hostile one.

If Japanese companies are to move into the field of hostile acquisitions in the UK it will probably be the likes of Sony, Seibu Saison, Prince Hotels, Matsushita, YKK and Dai Nippon Ink who will lead the way.

These companies are owned or run by *somewhat* unconventional and autocratic figures and the traditional Japanese corporate decision making process of *nemawashi* whereby everyone in the company kicks around a new idea for a while before a consensus finally emerges, would not be allowed to get in the way if fast responses were required.

Indeed Dai Nippon Ink has already completed a successful $540m hostile acquisition in the US when it took over Reichhold *Chemicals* in 1987.

Recently there has been renewed talk in the Nikkei of *nottori-ya* as Toyota's affiliated parts manufacturer, Koito has struggled to fight off the advances of US corporate raider T. Boone Pickens. And in a separate saga two supermarket chains, Chujitsuya and Inageya, have become the bid targets of a company named Shuwa.

Although there have been allegations of green-mail in both cases, these recent domestic developments are seen by some in Japan as a sign that M&A is starting to take root in the home market whereas until now it has been kept very much for export only.

The author is a partner in City solicitors Wilde Sapte. He recently returned to London after two years working in Tokyo.

Situations Vacant

MACHINISTS
A leading British electrical and mechanical service company require Centre Lathe Turners and Cylindrical Grinders for shift work to provide 24 hour mechanical services in West Blackpool £12k+OT+Company pension.
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provide the excellent standard of service our customers expect, we require a Senior Sales Assistant to work within our Provisions Department. Hours 39, working 9am-6pm, Monday to Saturday (5 days only). Benefits include salary commensurate with experience and generous store discount.
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Person required to work in our busy manufacturing unit. The job involves bench assembly work and the operation of drilling machines and bench presses.
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Top Property Group seek person 23-45 to become part of their team. Dept is 3 strong & covers all aspects of payroll for 900 staff, all on Centrefile Microlink.
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With experience in Sales. Must be enthusiastic, flexible, Ideally aged 25-40. Good basic & bonus. Phone: 0255 220099

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Business information Company requires PA for busy Sales Manager. Good secretarial organisation and presentation skills are essential. Salary c.£8,000.
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...chester area requires STAFF Mon/Fri. good pay and conditions. Tel: 0274 305100

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0903 30199

10 site labourers needed now! Local ongoing contract! 8am-5pm + overtime! Ring Trevor on 0733 313999

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YOUNG person for general warehouse duties. Driving licence an advantage. – Telephone: 0704 31399

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If you would like to be considered for this position, phone now on: 0742 525670

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TECHNOLOGY

As concern mounts about crumbling buildings, **Lynton McLain** reports on the science of predicting concrete decay

Constructing a cure for an epidemic

Concrete represents stability, hardness and permanence, so much so that the metaphors "set in concrete" and "concrete examples" have passed into the language.

Unfortunately, the metaphors may be misplaced. Far from concrete structures lasting for ever, some are starting to crumble a century sooner than their designers predicted.

Roger Browne, assistant managing director in charge of research and applied technology at Taywood Engineering, part of Taylor Woodrow, the civil engineers, says: "There has been a disastrous epidemic of decay in many countries, resulting in a major burden to society." The company estimates that the global cost of repairing concrete damaged by corrosion is $10bn (£6bn).

In the UK, almost 40 per cent of the £35bn spent on construction each year goes on maintenance and repair, part of it for concrete. Many of the more than 300,000 post-war pre-cast concrete houses are showing damage.

In the US, more than 200,000 bridge decks have been damaged by de-icing salts. In Hong Kong, half of the housing department's 939 blocks of flats are in need of repair because of concrete corrosion. In the Middle East, the use of aggregates contaminated with salt has corroded buildings within 10 years.

Crumbling concrete has huge implications for civil engineering contractors, builders and architects. They may be faced with demands for performance guarantees, as well as mounting repair bills and costly litigation.

In an attempt to understand what makes reinforced concrete lose its durability, work is under way on a technology – called deteriology – aimed at predicting the rate of decay.

The work started in 1961, when Taywood studied nuclear reactor structures and North Sea oil rigs and platforms to try to predict their behaviour over a 30-year life. At the time, civil engineers did not know how to specify concrete to ensure that it lasted for a given period of time.

Concrete is a mixture of cement, sand, aggregates and water, but these components are complicated. Cement is made from commonly occurring chemical compounds, such as silicate hydrates and metallic aluminates, much of which is found in clay, and lime. Water added to cement (which binds the other components) forms it into a gel, which sets hard.

The difficulties with concrete start with its physical properties and corrosive materials in the air. Concrete has high compressive strength, but low tensile strength: it is 10 times stronger when pressure is put on it than when it is pulled. To counter the tensile weakness, concrete is poured around steel bars and these are at the root of the problem.

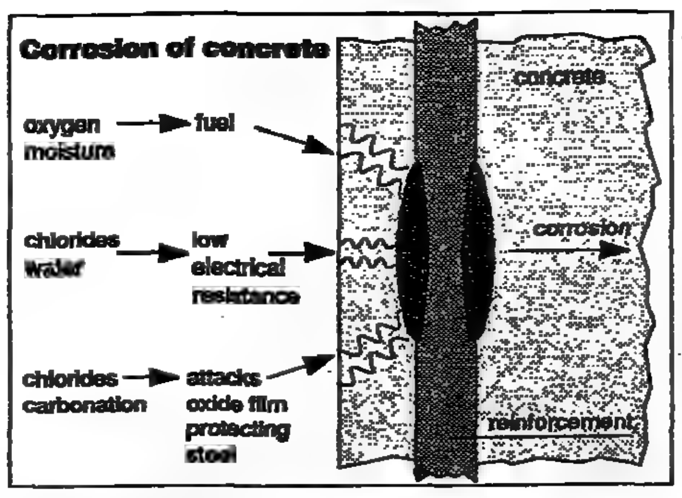
Under benign atmospheric conditions, the alkaline properties of cement protect the steel reinforcement. But tiny holes start to appear in the concrete when the water to cement ratio rises above 0.4.

The Channel Tunnel and the Bahrain causeway have water to cement ratios of 0.38, so the concrete is less porous and stronger than that used in nuclear reactors, which have a ratio of 0.42.

When the ratio rises to 0.7, concrete becomes very porous and the holes become capillaries which aid the passage of water to the bars.

Two commonplace chemicals can lead to the destruction of concrete: carbon dioxide from the air and chlorides from salt.

The carbon dioxide attacks the concrete by destroying the alkaline protection of the steel and allowing rust (oxides from oxygen and water) to form on its surface.



The rate at which chlorides, from salt or sea water, penetrate the structure is determined by their concentration and the concrete's porosity.

Browne says the aim of the deteriology work has been to find out when corrosion becomes a problem and to work out a methodology for predicting the life of concrete structures. "If somebody wants a building to last 1,000 years, at least we would then have a basis for working towards such a design life."

Deteriology is multi-disciplinary, involving chemistry, physics, electrochemistry, stress and structures.

Data on the penetration rates of chlorides and carbon dioxide in existing structures, under different climates, is being analysed and new concrete is being tested and calibrated. The destruction of protective alkalinity is measured using a chemical indicator, phenolthalein, applied to a drill core.

Another test shows how far the steel bars have become active with corrosion. A device called a potential half cell measures to what extent the resistance has been increased by rust. Taywood has developed this into a continuous technique.

The Norwegian company Norsk Overflate Teknikk has developed an electro-chemical way of restoring alkalinity and desalinating concrete. A metal mesh is laid on the concrete and sprayed with a gel to ensure electrical contact and 20 volts is applied. Alkaline ions are drawn in and chlorides are released.

Taywood and the UK Building Research Establishment have joined forces with the West German Bundesanstalt fur Materialforschung, with Labeim, Intemac and Fcsroz, of Spain, and with the Italian Istituto Ricerche Breda in a £2.2m European Community research project.

The aim is to extend the life of concrete before repairs become necessary, to develop standard tests and to establish criteria for repair systems.

Health service embarks on information technology treatment

The UK Government has unveiled a broad strategy for one of the world's most far-reaching information technology projects – computerising the National Health Service.

The ultimate aim is to put all patient records and management information on computer and to give every doctor, health professional and administrator immediate access to the information he or she needs, by means of a huge NHS data network.

Roger Freeman, the junior health minister, launched the strategy at a Department of Health conference in Birmingham yesterday. Details are contained in an overview document,* two consultative reports and 13 supporting papers.

"Information is the lifeblood of the NHS," Freeman said. Information technology (IT) would make it possible for doctors, patients and health service managers to make the "informed choices" which were an essential part of the Government's plans for NHS in the 1990s, as laid out in last year's White Paper, Working for Patients. For example, computerised information about waiting lists would tell GPs to which hospitals they should refer patients for specialist treatment.

NHS expenditure on IT – £130m in 1988/89 or 1 per cent of total spending – has been low by comparison with other industries and other countries. According to Freeman, European health services spend an average 2 to 3 per cent of their total budget on IT. In banking, the figure is 6 per cent.

The Government will give hospitals an extra £108m to spend on IT during 1990/91 and GPs £24m to buy computers.

But the strategy documents say that an immediate and overwhelming priority is to get existing systems to work well together. The development of IT in the NHS will inevitably be based on computers already in use – and unfortunately these include a significant number of expensive and incompatible systems, which have been custom-built for individual health authorities.

Making the existing systems and new computers work together will require extensive development of standard software and the building of a communications infrastructure. As a first step towards an NHS data network, the Department of Health is negotiating with Racal, the UK telecoms company, to set up a network for the Family Practitioner Service.

By April 1991, this network will connect local Family Practitioner Committees with the NHS Central Register at Southport. After that, individual GPs will be able to connect their surgery computers to the network.

The long-term plan is for it to be extended to hospitals and elsewhere, so that everyone in the NHS can exchange medical, financial and administrative information – subject to safeguards about patient confidentiality.

* *Framework for Information Systems: Overview, HMSO, £4.20.*

Clive Cookson

Japan's line in short numbers

WHILE businesses in London will have to cope with longer telephone numbers, caused by the extra digit added to the dialling code, their Japanese counterparts are being offered a way of shortening their phone numbers.

NTT, the Japanese telephone company, is allocating business numbers that consist of just four digits. The caller simply presses the "hash" button, which appears on all modern phones, followed by the abbreviated number. The short code can be tapped in from anywhere in the country.

All the local telephone exchanges in Japan have been programmed to translate the new four-figure codes into the longer traditional phone numbers. (If someone in the south of Japan wanted to telephone someone in Tokyo, for instance, they would normally have to dial nine numbers.)

For a company wanting to use the service throughout the country the charge is Y170,000 (£734) a month, plus installation charges.

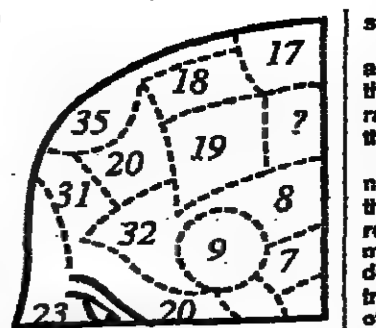
Moving picture over the phone

A MOVING video picture of people in a conference room, which can be squeezed down an ordinary phone line, is the promise of the latest techniques from US videoconferencing specialist Compression Labs (CLI), of San Jose in California.

The equipment adjusts to transmit the pictures down phone lines at 56 kilobits per second (kbit/s). Although video picture transmission systems are available which operate at 64 kbit/s, they have usually been incorporated in picture telephones, where there is just one person's movements to keep track of.

The CLI Rembrandt II/06 equipment compresses the normal Pal or NTSC television pictures by a ratio of 1,600 to one – the equivalent of squeezing a 400-page book into a quarter of a page of text – in order to give full videoconferencing facilities. It uses a compression technique called cosine transform extended (CTX), which uses a CLI-developed algorithm for transmitting only the parts of the picture that move.

CTX is a derivative of the proposed international videoconferencing standard called



WORTH WATCHING

Edited by
Della Bradshaw

DCT. The Rembrandt equipment is designed so that a simple software update will enable users to transfer to the DCT standard once it is ratified.

Bill for the year 2000

ALTHOUGH the 1990s have only just begun, computer users should already be planning system changes for the year 2000, according to today's issue of Computer Weekly.

The UK publication says computer users could face big bills when they alter the computer code handling the change to the year 2000. All the dates in their programs will have to be amended.

Worst affected will probably be organisations with computers which use the computer language Cobol, which is employed in many core financial applications.

Cobol typically stores dates as six figures – with only the last two digits of the year stored. More modern "fourth generation" languages will also be affected.

Large companies that have already tackled the date change problem have faced bills of more than £100,000.

Gas bulb for car headlights

THE GAS discharge bulb, familiar in street lighting and sports stadia, could become standard equipment in cars of the future, writes Andrew Wiseman.

Not much bigger than a match, it will produce twice as much light as the halogen bulb. It uses an electric arc between two electrodes in a metal vapour mixture, instead of a white hot tungsten filament.

Car manufacturers will be able to decide whether to use the extra light to improve the range of the beam or reduce the size of the headlight.

Because the new bulb cannot be directly connected to the car's electrical system, researchers at the West German company Hella are developing an electronic control unit to turn the 12 volts of a car's electrical system into the 12,000V needed to start the bulb.

Lotus 1-2-3 adapted for Unix

THE popular personal computer spreadsheet package, Lotus 1-2-3, is now available for workstations running the Unix computer operating system – tipped to be the 1990s' market leader for commercial and scientific systems.

The development follows an agreement between Lotus Development, of Cambridge, Massachusetts, and Sun Microsystems, of Mountain View, California, the workstation manufacturer.

The new 1-2-3 will operate on three types of Sun workstation: based on Sun's Sparc architecture, Motorola chips or Intel processors.

British loaf starts to travel

A CHEAPER and more consistent loaf of bread can be produced in a new commercial oven developed by Ranks Hovis McDougall (RHM), the UK baking and food group.

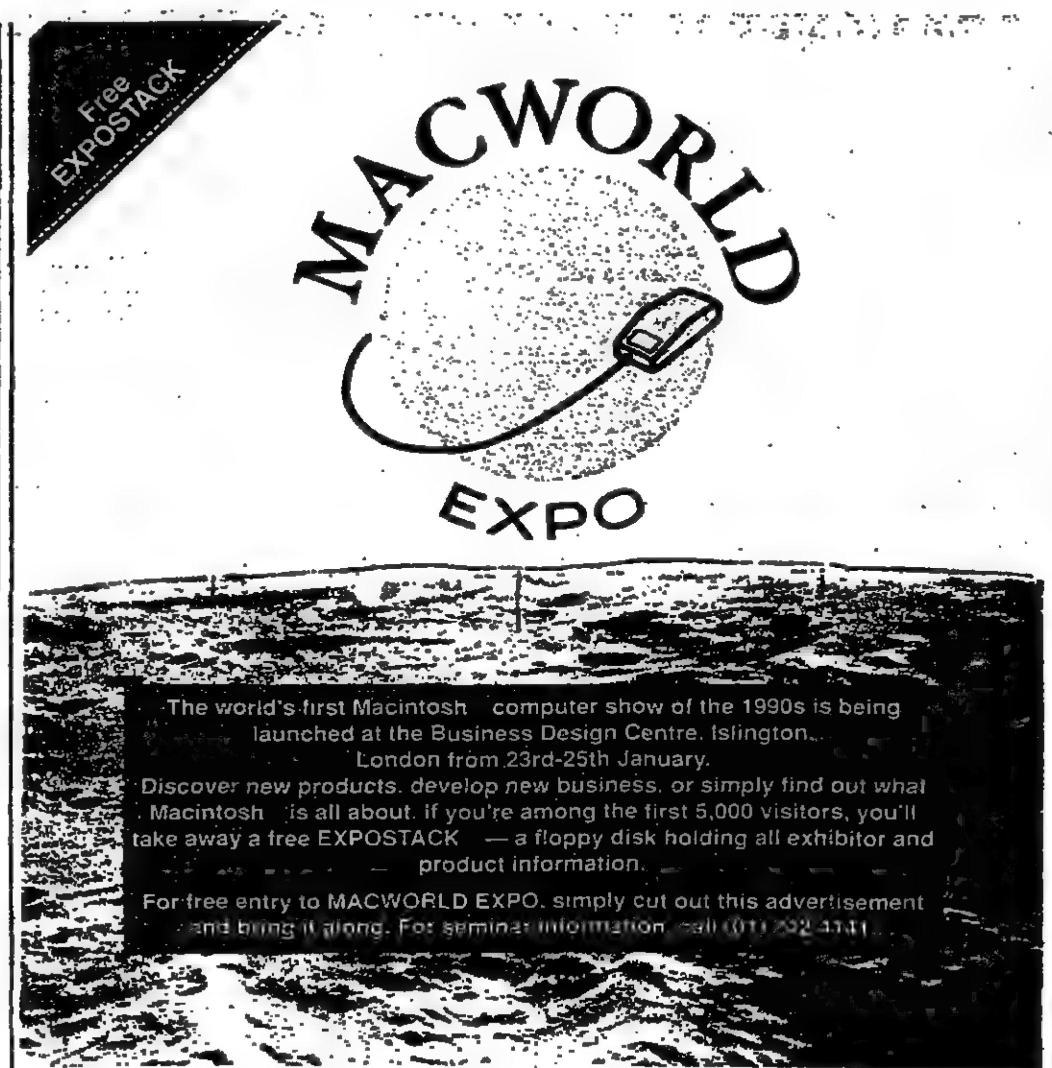
It involves the average British loaf travelling up to 100 ft during the 20 minutes or so it spends in the oven.

The advantage of the travelling oven – in which the bread, rather than the oven, does the travelling – is that the mixture is exposed to different temperatures during the baking process.

When the cold dough is placed in the oven, it needs to be exposed to more heat than is necessary later. This forms a crust, which prevents too great a loss of moisture.

The travelling band, which carries the rows of loaves through the oven, will also ensure the oven uses as little fuel as possible.

CONTACTS: NTT: Japan, 03 509 5111. CLI: US, 408 435 3000. Computer Weekly: London, 881 3051. Hell: West Germany, 2941 38 1. Sun: US, 415 960 1300. Lotus: US, 617 577 8500. RHM: UK, 0753 857123.



COMPANY NOTICES

BBV BANCO BILBAO VIZCAYA

THIRD QUARTERLY DIVIDEND 1989

Banco Bilbao Vizcaya has approved the payment of a third quarterly dividend for the financial year 1989 on all shares in issue numbered as follows:

Gross Dividend	Tax	Net Dividend
65ptas	16.25 ptas	48.75 ptas

Date of payment: On or after 12th January, 1990
Place of payment: At the Head Office or branches of Banco Bilbao Vizcaya or its subsidiaries.

Conversion Option
Shareholders may opt for the reinvestment of the net dividend of 48.75 pesetas per share in the acquisition of further shares offered for this purpose at 725% (7,250 pesetas per share), rounded up to the nearest whole share by the purchase of additional fractions where necessary. Holders of IDRs who wish to convert their dividend will receive shares. All costs of the conversion arising in Spain, including Spanish stockbroking costs, will be borne by Banco Bilbao Vizcaya. Shareholders may exercise their option to reinvest dividend through the head office and branches of Banco Bilbao Vizcaya or of its subsidiary banks up to and including 31st January, 1990. The shares thus acquired are listed and rank pari passu.

HOLDERS OF INVESTOR DEPOSITARY RECEIPTS (IDRs) will receive sterling at a prevailing rate of exchange on or after 12th January 1990 by presenting Coupon No. 14 at one of the offices listed below:

Hill Samuel Bank Limited
45 Beech Street
London EC2P 2LX

Morgan Guaranty Trust Co. of New York
Avenue Des Arts, 35
Kunstlaan, Brussels 1040

Specific instructions regarding the Option must be given at the time the Coupons are lodged, rounding down to the nearest 100 shares.

IDR holders will receive sterling converted at the rate of exchange ruling on the day of presentation of their coupons, and payment will be made five business days from that date. In the case of coupons presented for payment in London, UK tax will be deducted if the Cash Dividend is taken, unless accompanied by an Inland Revenue Affidavit of Non-Residence.

Jose Maria Concejo
Secretary to the Board
Bilbao. 28 December 1989

LEGAL NOTICES

JOHNSON TINDALL ASSOCIATES (TRAVEL) LIMITED IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at The Garth Hotel, Wolverhampton Road, Moss Pit, Stafford on Tuesday 30 January 1990 at 11.00 am for the purposes of having laid before it the report prepared by the joint administrative receivers in accordance with the said section and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham B2 5JT no later than 12 noon on 29 January 1990.

DATED this 10 day of January 1990.

Ian H Carruthers
Joint Administrative Receiver

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

E.C. ARNOLD LIMITED, (T/A: E.C. ARNOLD)
Registered No: 2008056.
Nature of Business: Dried Food Processing.
Trade Classification: 12.
NOTICE IS HEREBY GIVEN that M.J. Moore and D.J. Waterhouse, of Coopers & Lybrand, 5 Albion Place, Leeds LS1 6JP, were appointed Joint Administrative Receivers of the above named company by Standard Chartered Bank, on 8th January, 1990.

M.J. Moore,
D.J. Waterhouse,
Joint Administrative Receivers.

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MANAGEMENT: Marketing and Advertising

Advertising

Why the colossal cost is worth it

Alice Rawsthorn explains that although many agencies are still obsessed with assembling international networks of offices, there are some following alternative routes

Throughout the 1980s the development of the advertising industry was dominated by internationalisation. The theories of Theodore Levitt, the "global marketing" guru, tripped from the tongues of agency executives. The industry was enveloped in acquisitions and affiliations as US and UK agencies expanded into other countries.

The rationale for all this activity was to create the sorts of agency which would be able to benefit from the burgeoning market for global advertising. The major advertisers of the future, or so the theory went, would work with the agencies able to handle their advertising all over the world.

So far the new international agencies have adopted the same sort of structure as that developed by the old US agencies – J Walter Thompson and Ogilvy & Mather, now owned by WPP of the UK, and byYoung & Rubicam – when they pioneered the concept of an international advertising agency. This structure involves operating an international network of offices – all full service agencies with their own creative departments, account teams and media-buying facilities.

Most of the current crop of agencies with international aspirations – Eurocom, Boulet Dru Dupuy Petit and Roux Seguela Cayzac & Goudard of France and Dentsu of Japan – are also committed to creating conventional networks of offices.

But another breed of agency – Bartle Bogle Hegarty in London and Eldorado, part of Eurocom, in Paris – is adopting alternative approaches. They intend to be involved with international advertising, but without owning huge networks of offices and affiliates.

Meanwhile some of the established international players are exploring ways of restructuring their networks.

The first generation of international networks was created by the giant US agencies when they followed their domestic clients into other countries. When the US industrial groups moved overseas – *chiefly in the 1950s and 1960s – they* found the local agencies to be so weak that they persuaded their existing US agencies to move with them.

These agencies opened offices all over the world. Some offices were start-ups. Others were acquisitions. In some countries, such as Japan, most agencies opted for joint ventures. The offices were intended to operate both as local agencies – with their own clients – but also as part of an international network.

The cost of owning and operating such a network is colossal. But the US agencies believed it was necessary to offer their clients both an international service and to respond to their needs in individual countries.

When the second generation of international networks surfaced in the 1980s – with the ambitious UK agencies, like Saatchi & Saatchi in the forefront – they adopted a similar structure generally by combining strings of agencies. Saatchi created its networks – the Saatchi agency and BSB Worldwide – through a series of acquisitions.

The catalyst for the creation of these new networks was the conviction that, as the activities of the major advertisers became increasingly internationalised, they would want to work with the same agency across all their markets. Unless an agency could offer its clients access to a network of offices, it not only ran the risk of missing opportunities to win new business, but of losing its established clients when they switched their accounts into international agencies.

So far this conviction has proved correct. No one knows what proportion of the $220bn (£133bn) spent on advertising worldwide is absorbed by international campaigns. But it is true to say that the proportion is increasing every year. Scarcely a week goes by without a report that yet another advertiser has consolidated its advertising into an international network.

All the trends in international industry – everything from the approach of the unified European market in 1992 to the need to exploit economies of scale through volume production – mean that the growth in international advertising seems set to continue.

It is not surprising that other agencies, which have hitherto concentrated on their domestic markets, are eager to establish an international presence in advertising. But *the cost of setting up, or acquiring*, an international network is higher than ever and there are relatively few good agencies left to buy.

"The state of play is that the price of entry is very, very high," says Richard Humphreys, chief executive of Saatchi & Saatchi Worldwide. "The big networks are already in place. Some agencies are strong in individual countries but it would be very difficult – and expensive – to create a new international network."

"There are little pieces here and there, a great shop in Paris or a good business in Milan," says Emmie Hill, advertising analyst at Wertheim Schroder in New York. "But as for someone new coming on to the block? Forget it."

The aspirant international networks, most notably the French agencies, appear to be undeterred. Jean-Claude Boulet, chairman of BDDP in Paris, is convinced it has no choice but to establish an international presence. Otherwise, he says, BDDP's domestic business will *be eroded as the international networks take away its accounts.*

The French agencies are intent on assembling conventional networks of full service agencies in the US style. "If you are going to work with international clients you must have an international network," says Pierre de Plas, vice chairman of Eurocom. "One client will want to work with you in West Germany, the UK and Sweden; another in Belgium, the Netherlands, and Italy. So you cannot say, Belgium is a small country, let's forget about it."

The French agencies – buoyed by the strength of the franc against the pound – are now active on the acquisition front. Late last year Eurocom took control of the advertising interests owned by WCRS, the UK group, to form EWDB, a new network. Last week BDDP acquired a minority holding in Broad Street, the UK marketing group. Earlier this week RSCG made a £33m offer for KLP, the UK sales promotion consultancy.

But these deals have been relatively small in scale. The French agencies are still a long way away from assembling the sort of international networks of full service agencies owned by JWT or Y&R.

The only entrants to the international arena with the resources to acquire – or assemble – networks on such a scale are the giant Japanese agencies, Dentsu and Hakuhodo. Dentsu has announced its intention to establish an international network, but it may take two or three years to do so.

In the meantime some of the younger European agencies are examining alternatives to the conventional system of operating an international network of offices.

Bartle Bogle Hegarty, one of the most successful London agencies, aims to become a "niche" player in international advertising, but it is determined to do so without losing its independence or staging strings of acquisitions and associations.

"All we want to do is create distinctive advertising," says John Hegarty, creative director. "I do not believe we could do that if we operated in two or three different markets. We are a certain sort of agency because I am here in London watching everything all the time. I could not do that if we had offices in Paris and Milan too."

BBH already produces pan-European campaigns for Levi-Strauss, the US jeans company, which is one of its biggest clients. It works with Levi's European marketing department in Brussels and commissions market research for different countries from independent consultancies. The strategic and creative work is executed at its office in London. The only aspect of the advertising it does not control is the media buying, which is done by McCann.

Eldorado, the Paris agency that specialises in fashion advertising, has adopted a similar approach. It handles all the international advertising for Hermes, the French fashion house, from Paris. It liaises with Hermes subsidiaries over the advertising budget for each country and adapts the campaign to suit that market. The media is bought by specialist buying companies.

The same strategy was used in Eldorado's work for Benetton, the Italian leisurewear company. Eldorado created the ads – the controversial "United Colours of Benetton" campaign, which was withdrawn from some countries after accusations of racism – from Paris, and JWT handled the media-buying worldwide.

KHBB, one of Saatchi's subsidiaries, also uses its London office as a creative and strategic centre for international campaigns. It now derives £40m of its £112m billings outside the UK. Some of the media-buying is handled by its own department in London, but most is executed by the Saatchi or the BSB media networks.

The trend towards centralising media buying in Europe – whereby buying is handled, not by the advertising agency but by a specialist company like Carat, the French group recently bought by WCRS, or Zenith, the Saatchi subsidiary – is likely to make it easier for other young agencies to adopt a similar approach in the future.

But this "niche" approach is only suitable for a particular type of international advertiser. It is not appropriate for the really large multinationals, which do need to use the resources of a conventional advertising network with local offices in different countries.

"We can only really work internationally with a certain type of client, a company which wants distinctive advertising and is able to centralise decision making without involving 10 different marketing departments," says John Hegarty.

More and more companies are now centralising their marketing for regions like Europe or Asia. This not only has implications for smaller agencies, like BBH and Eldorado, but for the established international networks, too.

"If a client has different profit centres in different countries, we need to provide full service agencies in those countries," says Carl Spielvogel, chairman of BSB Worldwide in New York. "Our clients are now centralising their operations. Increasingly they are operating in regions, like Europe, from a single centre. It may be that in the future it will not be necessary for us to own full service agencies everywhere."

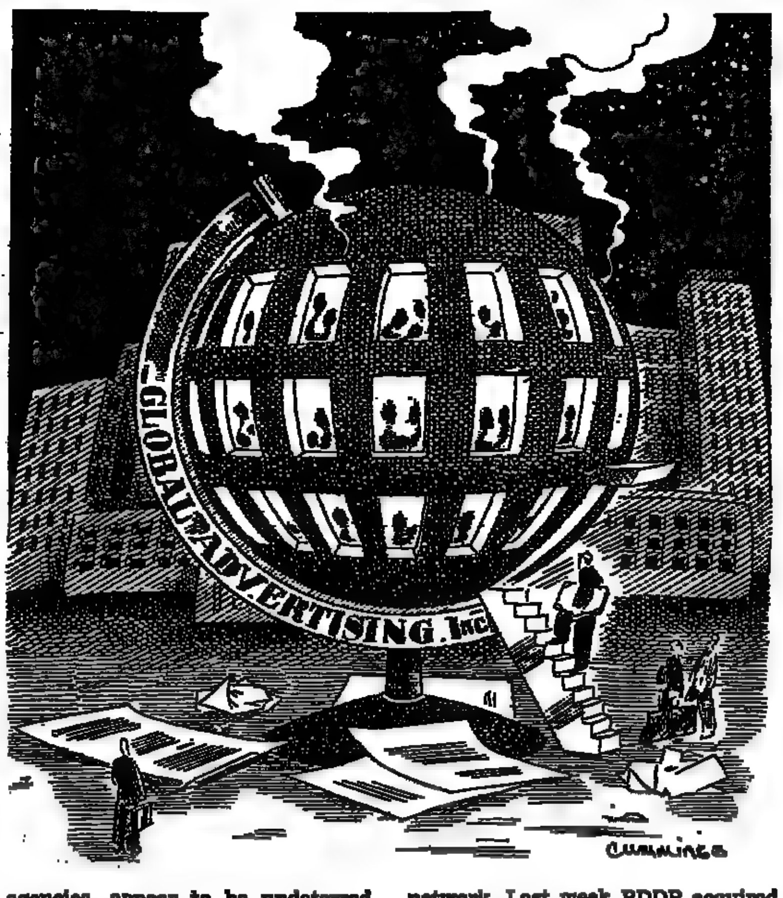
Other agencies are thinking along the same lines. JWT has identified six "drive countries" in Europe – France, the Netherlands, Italy, Spain, the UK and West Germany – where most of its business is concentrated. In the long term it may consider concentrating its resources on building critical mass in these countries, by streamlining its operations in smaller markets.

"It is a dilemma," says Miles Colebrook, president of JWT Europe. "Our clients need us to be omnipresent, so we will still be represented in every country. But we also have to ask ourselves whether we really need six creative teams or three media-buying teams in the smaller markets?"

In many ways it would be in the interest of the large agencies to streamline their international operations. The conventional networks of full service agencies are *both costly and complex to operate.* On the other hand, the expense involved in operating a fully fledged network benefits the established players; it ensures that the cost of entry to international advertising remains high, thereby making it more difficult for new competitors to emerge.

But the future structure of international advertising agencies – whether they are newcomers like BBH, or old timers like JWT – will be dictated not by the interests of the agencies, but by those of their clients.

"Advertising agencies are service companies," says Carl Spielvogel. "At the end of the day the sort of service we offer is determined by what our clients want. If they change, we change too."



Fewer new identities

By Alice Rawsthorn

THROUGHOUT the 1980s the corporate identity consultancies of the US thrived as the wave of leveraged bids and buy-outs created a new wave of companies needing new names and identities.

The bids and buy-outs slowed down last year and so did the demand for new company names. A study by Anspach Grossman Portugal, one of the best known New York corporate identity consultancies, shows the number of companies that changed their names fell to 1,600 in 1989 from 1,864 in 1988.

Merger and acquisition activity has been a buoyant source of new business for the US identity consultancies. Despite the slowdown on Wall Street, it was still responsible for half of all the company name changes in 1989.

Some important new names emerged from last year's bids and buy-outs. SmithKline Beecham *was created* by the merger of the pharmaceutical giants. Deloitte and Touche was the legacy of the combination of Deloitte Haskins Sells and Touche Ross in accountancy. Donald Trump, the flamboyant property tycoon, could not resist renaming Eastern Shuttle, his newly acquired airline, as the Trump Shuttle.

Other old established US names disappeared as overseas bidders stamped their identities on acquisitions. Westinghouse Elevator became Schindler Corporation. Stauffer Chemical turned into Rhone-Poulenc Basic Chemicals.

Some companies chose to make changes. F W Woolworth Co, dropped the FW and the Co *to call itself Woolworth Corporation.* Middle South Utilities has started the 1990s as Entergy Corporation.

The phenomenon of corporate name changes is now an accepted part of US corporate life. Four times as many companies chose new names in 1989 as in 1980. Moreover companies are now prepared to invest in more sophisticated identity schemes.

But the consultancies, like Anspach, that make their money in this area are bracing themselves for another lacklustre year; there are likely to be fewer bids and buy-outs on Wall Street in 1990, and fewer US companies needing new names.

LEGAL NOTICES

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company PKa Fashion Retail Limited
Registered number 2084218
Former company name Coriander Limited
Nature of business Fashion Retailers
Trade classification 17
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
Address KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
St. Albans, Herts AL3 4RF

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company Group PKa Limited
Registered number 1348918
Nature of business Holding Company
Trade classification 37
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
Address KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
St. Albans, Herts AL3 4RF

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company PKa International Limited
Registered number 1413182
Nature of business Fashion retailer
Trade classification 17
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
Address KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
St. Albans, Herts AL3 4RF

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company Paul Stephens Limited
Registered number 445423
Nature of business Fashion Retailers
Trade classification 17
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
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NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company PKa Promotions Limited
Registered number 1996551
Former Company name PKa Limited
Nature of business Promotional Product Retailers
Trade classification 17
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
Address KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
St. Albans, Herts AL3 4RF

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)

Name of Company William Johnson & Sons (London) Limited
Registered number 16/309
Trading name Wiljon
Nature of business Promotional Product Retailers
Trade classification 17
Date of appointment of administrative receiver 8 Jan 1990
Person appointing the administrative receiver Svenska International Plc
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers office holder no(s) 0/006281/01 and 0/002515/01
Address KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
St. Albans, Herts AL3 4RF

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER (FOR NEWSPAPER)
CAROLYNNE READ ACCESSORIES LIMITED

Registered number 2142587
Former company name Refal 180 Limited
Nature of business. Fashion Retailers
Trade classification: 17
Date of appointment of administrative receiver(s) 8 Jan 1990
Person appointing the administrative receiver(s) Svenska International PLC
Philip Wedgwood Wallace and Roger Howard Oldfield
Joint Administrative Receivers
Office holder no(s) 0/006281/01 and 0/002515/01
KPMG Peat Marwick McLintock
Aquis Court, 31 Fishpool Street
ST. ALBANS, Herts AL3 4RF

SHINEDAWN LIMITED

Registered number: 1953567
Nature of business: Cavity wall insulation contractors
Trade classification: Home improvements
Date of appointment of joint administrative receivers: 5 January 1990
Name of person appointing the joint administrative receivers: Midland Bank plc
JOSEPH PATRICK CONSIDINE and CHRISTOPHER JOHN HUGHES
Joint Administrative Receivers
(Office holder nos 056 and 141) of Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ.

Still more Berio

BARBICAN HALL

Tuesday's episode in the Berio jamboree offered above all his *Formazioni*, composed in 1985-7 for the Amsterdam Concertgebouw; but the music that completed the BBC Philharmonic programme was of exactly the right weight – and not lightweight. At the beginning and end were two sets of early Mahler songs orchestrated by Berio, often lavishly: it was a surprise to hear the cheery little "Hans und Grethe" in such rich orchestral dress, and hardly less to find the measured raptures of "Erinnerung" translated into Wagnerian breadth.

Mostly, nevertheless, the point of the exercise was to re-create a Mahlerian instrumentation, with the benefit of imaginative hindsight to read some of his later devices back into these juvenilia. From time to time the East German baritone Andreas Schmidt – keen, sincere, with excellent diction if no great range of colour – faded beneath the horns, trombones and tuba: hard not to, in this hall, and I wouldn't blame the conductor Edward Downes.

In the newly touched-up version of Berio's Concerto II for piano, subtitled "Echoing Curves," Bruno Canino was the brilliantly lively soloist. Like many another Berio work, the Concerto is constructed around an earlier piece of more limited dimensions: here, his *Points on the Curve to Find* . . . of 1974, where the solo piano, racing incessantly through formulaic patterns, inspired the accompanying ensemble to occasional flights of its own. Now with an added prelude and a ramified tailpiece, *Points* . . . stands pretty much as before, in the centre – but what curves around it is a whole fountain of bubbling trills and tremolos, wave upon wave of them. *Points* . . . sounded lean and lithe; Concerto II is a riot of winking sonorities, piled gleefully one upon another but never congested.

Formazioni proves to be a work of another order, harmonically rich – I mean: powerfully and originally cogent, levered with masterly assurance – beyond any Berio I know except the opera *Un re in ascolto*, and more concentrated than that. As always he wields a sonorous panoply which ravishes the ear, but it is utterly in the service of the developing music. There is no simple ear-tickling, not even in the sense of capitalising upon ripple-fire virtuosic flourishes as in the solo *Sequenze*.

No doubt the Concertgebouw commission inspired Berio to consider instead the special, sober virtues of that band: clear-edged colours in depth, superlatively sharp-eared balance. He challenged them by relocating the players in a new geography whence they would have to recover their ensemble virtues, and building his score deliberately upon these unfamiliar distances and relations. Long pedal-notes are its basis, anchoring harmonic excursions that search far and wide, never guessable but always trenchantly motivated.

After a single hearing, it would be ridiculous to propose an overall reading of *Formazioni*, but somewhere along the way one realised that we now have a "late Berio" in the time-honoured, deeply respectful sense. He is only 64, of course: another 20-odd years of later and later Berio should be wonderfully rewarding. There is nobody who has (in his own phrase) an ear more directly connected to the brain.

David Murray

CINEMA

Consumer culture hit with passion

JESUS OF MONTREAL (18) Lumiere, Camden Plaza, Gate Notting Hill
A DRY WHITE SEASON (15) Curzon West End, Screen on the Green
SCENES FROM THE CLASS STRUGGLE IN BEVERLY HILLS (18) Cannons West End
SISTERS (15) Cannons West End
WELCOME HOME (15) Odeon Haymarket

In Denys Arcand's *Jesus Of Montreal*, modern cinema continues its reassessment of the life of Christ. Since response to the last stage in this reassessment – a certain film by Martin Scorsese – took the form of screaming clerics and Vatican apoplexy, the French-Canadian director has got off lightly. Even when premiered last year in combustible Cannes, where you can rent a Catholic demonstration by the hour, his satirical tragicomedy about a passion play was greeted with uncomplicated approval. It also won the Prix du Jury.

So is there something wrong with it? Yes and no. What is right is the film's flair for shading light into dark as the story progresses. What is wrong is its love of soft targets. Scorsese created a furore by riding the horses of Kazantzakis's apocalyptic novel straight into the cohorts of consensus Christian belief. Arcand walks carefully up to his notional enemy – the consumer society – and checking that it is already well-peppered by satire gives a simple but showy push to knock it over.

The tale is of a young actor-director called Daniel (Lothaire Bluteau), hired to stage a passion play on the heights above Montreal. Gathering four disciples – an actress in TV commercials, an actor who dubs porn movies, an actor who wants to play Hamlet and the mistress of the bishop authorising the play – he turns them into a thespian commando squad. Night by night under the Canadian stars, they pull the pin out of the gospel story and lob it, armed with modernist notions, into the audience.

These notions consist of creating a "real" social-historical context around an increasingly unreal (for many) Sunday School myth. For instance: did we know that crucifixion began 600 years before Christ; that it took from two to seven days for a man to die on the cross; that the spectacle was thought so horrifying it was 500 years before any artist painted Christ's death; that . . .?

These gusts of reality, blowing forth from this modern Passion, are too much for the Montreal authorities. They break up the play and arrest our hero. Tragedy (of a sort) follows. But satire – sleek and a mite self-congratulatory – precedes and slickens the way. Tapped on the funny-bone by M. Arcand, we smile at a skit on commercials: "It should be more 'Kundera'!" says the producer of a puff for a new perfume boasting the copyline "The unbearable lightness of being." We chuckle at a porn-film dubbing session, with its vocalisers ringing harassed changes on the necessary vocabulary of sighs and groans. And we grin at Arcand's modern variations on the expulsion of the money-changers (TV cameras smashed at a commercials audition in a theatre) or the temptation in the desert (the "world's riches" shown from a lawyer's skyscraper-top office).

But more and more as the film proceeds, these seem like comic canapés: and the film that of a man who can turn cocktail party epigrams into a semblance of epic satire. (He did the same trick in his last film, *The Decline Of The American Empire*). Almost every joke in the first hour of *Jesus Of Montreal* is a good one. But they are no more than jokes and they take a long time adding up to a movie.

Only in the second half do freshman frolics yield to a real flowering of pain and questioning. When medical plausibility is invoked to "explain" the resurrection and when our actor hero meets his own strange martyrdom on an underground platform, real blood begins to flow from Arcand's pinpricks. Less time spent exploding the empty balloons of our consumer culture and more time spent bleeding real human anguish might have made a masterpiece rather than an intelligent amusement with tragic trimmings.

★

For anyone still sceptical about the possibility of resurrection, Marlon Brando is back. White-haired and wide-bellied, the Messiah of the Method has rolled away the stone from his retirement to play a liberal South African lawyer in *A Dry White Season*. In his first movie in eight years, Brando has fifteen glorious minutes. His greatness as an actor is – as ever – that he breaks all rules. He mumbles into his chin; he gazes at the ceiling; he peers over jumbo-size jowls; he plants pauses where they don't belong (as a bomber plants gelignite in a crack in the wall); and he slurs, sneers or detonates with sudden oracular wit. It is as if the mantle of Orson Welles had newly fallen on him from Heaven.

Perhaps it has. Certainly all is banality around him. Director Euzhan Palcy, who crafted that magical Martinique growing-up tale *Rue Cases Negres*, performs scant magic on this lumpy political thriller she co-scripted with Colin Welland. Donald Sutherland glums away as the South African schoolteacher seeking to expose police brutality. (His black gardener and other unfortunates have died in the wake of the 1970s Soweto uprisings). And Janet Suzman (Sutherland's wife) and John Kani (black lawyer) prop up the supporting cast.

But with a plot that does not thicken so much as coagulate with cliché, all that results is "Son Of Cry Freedom": a rallying cry to the converted, delivered so lifelessly it is unlikely to move either them or the unconverted.

Paul Bartel's *Scenes From The Class Struggle In Beverly Hills* begins with a good title, caps it with good titles (gold on red velvet as if we are time-warped in a Universal melodrama c. 1955) and gets better from there.

If Bartel's *Eating Raoul* excited your taste-buds, here is more gourmet black comedy from the same chef. Jacqueline Bisset, Paul Mazursky, Mary Woronow and Bartel himself are among the pampered high-rollers in a neighbourhood plump on sex, murder and *haute cuisine*. Dialogue is strictly over the top – "My body is a Rolls Royce Corniche," "We are doomed unless we break the cycle of need" and the like – and romance is strictly under the counter. One plot among several involves a cross-over seduction scheme, deft amorous variant on *Strangers On The Train*.

There are too many comic ideas for one movie, but since when has that been a complaint? For the most part the film is small but perfectly formed, silly but perfectly charming.

Likewise *Sisters*: at least until Lila Kedrova materialises as a runaway granny. Writer Rupert Walters and director Matthew Hoffman, whose previous joint career amounts to a criminal record (*Privileged, Restless Natives*), deposit an amiable young man (Patrick Dempsey) with a family of neo-Gothic nutters somewhere near Montreal. It is Christmas; Dempsey is in love with the youngest daughter of the house; but confusion spirals when she plays hard to get and her two sisters play easy to get.

What can a poor boy do? Answer: stumble about comically in the enveloping lunacy (Andre Gregory is the mostly nude father, Florinda Balkan the mostly insane mother) and help everyone find Grandma Kedrova when she does a bunk from her hospital. Purling wisdom from her snow-frosted lips, La Kedrova voices the film's self-important late thoughts about love and fulfilment. But we prefer the jigsaw-puzzle comedy of the first half to the fortune-cookie messages of the second.

Welcome Home launders America's post-Vietnam agonies in a plot sudsier than a soap opera. Can surviving MIA Kris Kristofferson – returning home 15 years after being reported dead – patch things up with Dad Brian Keith and ex-wife JoBeth Williams? What will Miss W's husband Sam Waterston think, not to mention (but oh dear if we must) the son he never saw, Thomas Wilson Brown.

You can tell a TV movie *manqué* by the frequency with which the phrase "deal with" is used: "I don't know how to deal with this" (Sam to JoBeth), "You're going to have to deal with this" (Sam to young Thomas), and so on. The movie itself never deals with anything: either with its people as people (they are pawns on a problem-drama chessboard) or with its plot as more than a workout for trite emotions. Maggie Kleinman scripted. The late Franklin Schaffner, who directed, will prefer to be remembered by films like *The Best Man, The War Lord* and *Patton*.

Nigel Andrews

Lothaire Bluteau in 'Jesus of Montreal'

Diversions and Delights

PLAYHOUSE THEATRE

This is an evening in quotation marks, less than two hours of a clever actor acting and so enjoying his skill that when the need for real feeling obtrudes he is taken aback; one showman playing another and letting us know it; the kernel of humanity eventually so obscured as to be invisible.

A stout figure with a sensual, faintly epicene, mouth assures us that "I am ewers for the evening." He thanks us lovely Parisians for making him feel at home, in what is evidently a fund-raising lecture, against the torn and faded backcloth of a pleasure garden on a stage cluttered with rehearsal furniture.

Suddenly we realise – with a pang – the full tragedy of greatness fallen, genius down on its luck, pride humbled. It is Donald Sinden with a centre parting and a limited season to fill at The Playhouse.

For the purposes of this one-man show it is Oscar Wilde in the last years of his exile, but let's not quibble. Actually he looks more like Micheál Mac Liammóir with that papery, blubbery mask of a face, and sounds like an Edwardian actor-manager holding forth anecdotally. The script is a patchwork of Wildeisms attributed to John Gay of whom no programme details are given. The production is by Frank Dunlop of whose talent there is little appreciable onstage sign.

Donald Sinden as Oscar Wilde

The whole entertainment might work well on radio or television, touring American campuses or playing the height of London's tourist season; but it makes a lacklustre theatrical experience.

Mr Sinden may call for absinthe (absinthe makes the part grow longer) and address the audience, but he is never Wilde, never one whom the gods loved and then humbled; more the Garrick Club's favourite story-teller. The limitations become apparent in the show's second half when the atrocities of imprisonment, the anger at betrayal and the grief at bereavement enter the story. The actor is hoarse and horrified, crumpling and contemptuous by turns; but flounders in search of emotion when the deaths of wife and mother demand more than posturing. This is the ham who has cried wolf too often for real tragedy to ring true.

Part of the trouble lies in the detachment apparent in all technical performers: the "look no hands" brilliance that joins the audience and admires itself. This mutual conspiracy works pleasurably enough with aphorism and joke but is inadequate to convey Wilde's brutal treatment in jail or the barbarity he recalls shown towards a small child.

Neither text nor direction throw any new light on a schools' broadcast corpus of knowledge. The audience probably already consists of those who know the story and the quotations; they will find nothing fresh here. It does nothing for Wilde and is not even the tour de force that Mr Sinden's admirers (I am one) would hope for. The first night mood was characterised by benevolent lethargy and slowly congealing hope.

Martin Hoyle

Laurentia

COVENT GARDEN

There is a precedent for staging another short ballet with Ashton's *La Fille mal gardée*, although custom has established that it is a self-sufficient masterpiece, with no need for a make-weight partner in the programme. Nevertheless, the Royal Opera House has decided that this season, as a prelude, we shall see the sextet from *Laurentia*. It is one of the showpieces of the Soviet repertory, abstracted from the ballet that Vakhtang Chabukiani, the great Georgian dancer, first staged in Leningrad in 1939, with himself and Natalya Dudinskaya in the leading roles. Rudolf Nureyev produced it for the Royal Ballet in 1965 in a memorable performance with Nadia Nerina, and we may assume – though the programme is unforthcoming – that Tuesday night's revival follows his earlier text.

The piece is fiercely difficult, not merely in step but – more crucially – in style. Soviet performers have a long understanding of balletic folk-dance, of applying "national" accents to academic bravura (we have but to think of *Don Quixote* and *Paquita*). Soviet training teaches a boldly-scaled movement which leaps into such show-off numbers and flies joyously onward, the steps blazing with life, the incidentals of national temperament a spanking decoration. All this is essential for *Laurentia* – there is a famous film clip, now available on video, showing Maya Plisetskaya like a thunderbolt in the leading ballerina's variation, her back foot brushing her head in exultantly impetuous jumps – and anything less can but look polite. Tuesday's Royal Ballet cast – Fiona Chadwick, Maria Almeida, Viviana Durante, Phillip Broomhead, Errol Pickford, Bruce Sansom – were kittens pretending to be tigers, lost in a jungle of technical and stylistic demands.

I thought Miss Almeida gave her variation – it is the prettiest of the three – a persuasive charm, and the bounding Errol Pickford can never be uninteresting, but there was little other cause for rejoicing with a work that should leave its viewers feeling as if they had seen a particularly brilliant firework display.

There could be no real complaints about the presentation of *Fille*, for the cast – Lesley Collier and Stephen Jefferies as the lovers, Michael Coleman and Garry Grant as Simone and Alain – are experienced Ashton performers. I think there are comic incidents that have coarsened, and should be re-studied (Lise tends to be hoydenish at moments), but the choreography remains heart-lifting, and John Lanchbery's conducting gives savour to every dramatic point. And in a mutable world, there is the unchanging delight of Leslie Edwards in his created role as Thomas, 30 years after *Fille* first won our devotion.

Clement Crisp

Moving Picture Mime Show

PURCELL ROOM

Whereas Marcel Marceau was the practised old French smoothie of the art of mime, the three men of Moving Picture Mime Show are its naughty, silly, enthusiastic schoolboys. In their 1980s cartoon-strip sketches, they became creatures from the swamp; a school exam; the visitors to a modern art gallery; and more. Now, in *Generalissimo*, they tackle that favourite schoolboy theme – war.

It is like a fifth-form re-hash of Kurt Jooss's *The Green Table*. Scene One: the heads of state of the world's two most powerful countries – no more serious than housemasters in an end-of-term sketch – meet for vacuous peace talks. Scene Two (the Serious Interlude): warfare and Death. Scene Three: two soldiers, from opposite sides, fake battle to kid their superiors and play practical jokes on each other. *All Mime on the Western Front*.

Though few mimes could be less like the oily Marceau on the face of it than these gauche rompers, the underlying Moving Picture method looks now all too like his. Now you'll recognise us doing this; look, now we're doing it; look, wasn't that funny?

If the movement quality was in itself more refined, MPMS's pacing would be fine, its spell more sure. As it is, I keep wanting everything twice as fast – Chaplin-speed. Some jokes are good, but it's too easy to see half of them coming. And *Generalissimo*'s first scene is outclassed in every respect but sheer obviousness by the mime duo Ralf Ralf, who in 1988 did an unforgettable summit conference – a precise, wild, funny, rapid cascade of fantasy. The two Moving Picture generals resort to trite gags like "have a cigar;" "Why, thanks, I'll take the box."

Part of each scene of *Generalissimo* is fitted to classical music. Scene Two is to *Mars* from *The Planets*; Scene One is to a bit of the Danse Infernale from *The Firebird* spliced into *The Rite of Spring*. But music makes these performers' timing heavier. They seem to keep waiting for the beat.

In the evening's first half, they gave two old favourites, *The Gallery* and *The Examination*. Here the Moving Picture observations are smarter. I loved nothing all evening more than in *The Examination* the floppy way the old invigilator wrapped his hand behind his back. It wasn't funny, it was just supremely, economically character. The exam that follows is this company's most fluent scene, happy evidence that MPMS can let jokes build surely out of character and out of each other.

The biggest laugh of the evening went to the shortest, fastest item. Toby Sedgwick announced "Bacon Frying – a British Event." He then lay on the floor and, for less than a minute, was a rasher of bacon. Thaw, sizzle, crinkle. Turn over. Sizzle, crinkle, pucker, fry. Delicious.

Alastair Macaulay

ARTS GUIDE

January 12-18

EXHIBITIONS

London

The Royal Academy: Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem. The work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure.
The Hayward Gallery. The Other Story – an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tradition – weak in its socio-political and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays.

Paris

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewels dating from Greek antiquity describe most explicitly the verve with which the god of love encouraged humans and gods alike in their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42895410).
Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from Vienna-inspired symbolism to non-figurative canvases where glorious colours acquire a life of their own. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).

Brussels

Musée Numismatique et Historique (at the Banque Nationale) an exhibition of contemporary Belgian jewellery, medals and sculpture. Closed Monday ends Jan 31.
Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Rome

Galleria Nazionale Dell'arte Moderna. Bertel Thorvaldsen (1770-1844). Sculptures, reliefs, portrait busts and drawings by the prolific and talented Danish artist who spent nearly 40 years of his working life in Rome. Ends Jan 28.
Braccio di Carlo Magno (St Peter's). Russian icons. Over 100 icons of superb quality Ends Jan 30.

Milan

Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Caja de Madrid. Raoul Dufy. Works by French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. Ends Jan 26.
Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, Ends March 4.

Frankfurt

Kunstverein, Markt 44. The Frankfurt Kunstverein is the first stop on a European tour of the works by the American sculptor Louise Bourgois. After nearly 20 years unknown, she had her first retrospective in New York in 1983, organised by the Museum of Modern Art. Ends Jan 28.
Schirn Kunsthalle, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Hanover

Kestner-Gesellschaft, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 130 works on loan from Spain. Ends Feb 19.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections.

Vienna

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.
Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Ends Jan 21.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Tokyo

Idemitsu Museum. Ceramics of Japan. First part of a comprehensive exhibition devoted to major pieces from the museum's own vast collection and focusing on karatsu ware and other ceramics from Kyushu.

Streamlined season for the RSC

The Royal Shakespeare Company yesterday announced its most streamlined (euphemism for economical) 1990 season since the 1970s. The approach of a £2.5m deficit by April has concentrated the mind of Terry Hands, planning his last year as artistic director.

A company of 65 actors will present 19 plays (13 new productions) in four theatres in contrast to the team of over 90 working on 40 odd plays in six theatres in 1987. The cash shortfall has been accelerated by a fall in audiences, 10 per cent below target at both Stratford and the Barbican, although Hands is quick to point out that its aim for 80 per cent capacity is considerably higher than any commercial theatre would anticipate.

The new productions at Stratford include *Much Ado About Nothing; The Comedy of Errors; King Lear* (with John Wood as Lear); *Love's Labours Lost*, directed by Terry Hands, and *Richard II*, with Jeremy Irons as the woebegone king, in the main house, and the *Last Days of Don Juan*, Nick Dear's version of the Spanish 17th century original for the whole Don Juan oeuvre; *Troilus and Cressida; Edward II;* a new play, *Two Shakespearean Actors*, about Macready and the American actor Edwin Forrest; and another Hands production, Chekhov's *The Seagull*, all at the Swan.

London has a quiet time, with the main Barbican theatre taking transfers from last year's Stratford, plus a revival of Lionel Bart's *Blitz*. The Pit gets transfers from the Swan, including Anthony Sher in *Singer*, but there are hopes to mount new plays by Paula Milne and Michael Hastings.

For the Barbican Christmas show the RSC is presenting a new musical, *Children of Eden*, based on Genesis by Stephen Schwartz, creator of *Godspell*. It is a joint production with Upstart and in theory could provide the RSC with a profitable earner, on the lines of *Les Miserables*, which still contributes over £1m a year to the RSC's coffers.

There will be national tours for *Les Liaisons Dangereuses* and *Showboat*, and the film of *Othello*, with Ian McKellen, should be shown on BBC television in the spring. But the over-riding controller at the RSC at the moment is the financial situation, which determines that the safest money spinners are presented for the longest possible runs.

By the middle of February the RSC should be able to announce its new artistic director, or directors. Obviously filling the position has led to intense wrangling with the few possible contenders. The new team should be in situ by April 1, to plan a 1991 season which could be very different from the stop-gap schedule for 1990.

Antony Thorncroft

FINANCIAL TIMES
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Thursday January 18 1990

Hong Kong is slipping away

MR DOUGLAS HURD, the British Foreign Secretary, returned from his first trip to Hong Kong a good deal less bruised than Sir Geoffrey Howe, who visited soon after the massacre of demonstrators in Peking last summer. One small contributory factor to the relative calm must be that the people of Hong Kong are content to see the Vietnamese boat people shipped back home, as the British government has started doing.

But any judgment on the success, or otherwise, of his mission cannot only be measured by its public reception. The reality is that he went to Hong Kong with little to offer its people, who are resigned to not expecting much from Britain. He came back with next to nothing by way of compromises from China which assumes sovereignty over the colony in 1997.

From all available evidence, Britain has very little to lose by abandoning its subservient attitude towards China. London must now demonstrate, rather than claim, that it puts the people of Hong Kong above the niceties of Sino-British relations, the value of which may be questioned after Tiananmen Square.

Britain has decided that 95 per cent of Hong Kong's 5.6m people cannot hope for a full passport giving them right of abode in Britain. Unless they can escape elsewhere – as 1,000 a week now are – they will have to stay put when the communists take over.

Firm stand

There are two issues which require a firm stand from Britain in these circumstances: the introduction of democracy to Hong Kong and the Basic Law which will govern the territory after 1997.

There is no direct democracy in Hong Kong. China prevented the inclusion of any detailed commitment to direct elections in the 1984 Sino-British declaration on Hong Kong. Britain then hoped to introduce some directly elected members to the Legislative Council in the 1988 elections. China objected; Britain retreated.

The next opportunity is 1991 after which there is just one more chance, in 1995, before the hand-over. China wants not more than 30 per cent directly elected by 1997 – 18 out of 60 seats. Britain's decreasingly ambitious proposals would have 20 directly elected in 1991 and 30, representing 50 per cent, in 1995.

Mr Hurd appears pleased with a Chinese intimation that Peking might now accept 20 directly elected members – but only on condition that Britain makes no commitments beyond 1991. He seeks too little and is too easily pleased.

Flexed muscles

Yesterday the Chinese again flexed their muscles, announcing that any Hong Kong residents who had the right of abode in any country other than China after 1997 would be disqualified from senior government jobs and from membership of the Legislative Council.

The British government should quickly announce the most ambitious possible move towards self-determination for the people of Hong Kong. Too much time has been wasted already. The best way forward would be to adopt the proposal of the Commons Foreign Affairs select committee: 50 per cent directly elected in 1991, 100 per cent in 1995.

Hong Kong people would then have a chance to make the best, in a short time, of working out their own ways of self-determination. These ways could, conceivably, prove so responsible and confidence-saving that a future, less inflexible Peking regime might accept them within the one country, two systems model which is supposed to exist after 1997.

A forceful message is also needed to convince China that if the forthcoming Basic Law for Hong Kong deviates from the spirit of the 1984 agreement it will not be accepted quietly.

Hong Kong's chances of surviving intact are receding as confidence and talent slip away. Moves towards democracy may not help, but they may make it more difficult for China to ignore the wishes of Hong Kong's people. Mr Hurd must say that Britain has not relinquished Hong Kong and will not do so until July 1 1997.

A Pyrrhic victory

IF PREVIOUS backbench revolts are any guide, the Thatcher Government will be able to brush aside Parliamentary opposition in today's House of Commons debate on the community charge. But the whips' procurement of a solid majority will reflect the pliability of Tory MPs rather than the true level of support for the levy. The poll tax, although swathed in billions of pounds of transitional reliefs, remains deeply unpopular. The Government has created a fiscal monstrosity which will further undermine the independence of town halls while adding to the difficulties of managing an inflation-prone economy.

Much of the criticism is narrowly self-serving. The losers want their losses reduced and the winners want their gains increased. Both groups want the Treasury – in other words the taxpayer – to cough up larger subsidies. Mr Chris Patten, the Environment Secretary, is right to resist pressure of this sort: fiscal change will always create winners and losers and the cash available for transitional relief is inevitably finite. But the Government is wrong to imply that the long-term benefits of the poll tax will offset the short-term discomfort.

Negative consequences

The economic consequences of this reform (which the Treasury strongly opposed) are wholly negative. In the short run, the poll tax will add half a point to the retail price index just as the Chancellor is struggling to prevent an acceleration of wage inflation. In the longer-term, the scrapping of all domestic property taxes will significantly increase the fiscal privileges of home ownership. After the overheating of the housing market in 1987/88, the Government might have been expected to back measures likely to reduce future instability. Ironically, the poll tax will have precisely the opposite effect. And, during what is supposedly a "green" decade, the abolition of rates will also reduce the relative price of larger houses thus encouraging the wasteful use of space.

The community charge is even more flawed as a local tax base. As ministers have stressed in recent speeches, around 10m people will receive rebates of some kind. This is no cause for celebration, merely confirmation that the tax in its original form was unworkable. The disentangling of the tax and benefits systems used to be a central plank of Conservative policy. But with the poll tax ministers are deliberately levying taxes which individuals cannot afford and then, at considerable administrative expense, instructing officials to extend the means of payment. This process used to be known as pauperisation.

Unfair levy

Yet the rebates, while necessary, do not make the community charge a fair levy. Almost all owners of large expensive houses will gain substantially. Chief executives will be expected to pay exactly the same towards the cost of local services as shop assistants or school teachers. Such a regime, which falls far short even of proportionate taxation, would never be accepted at the national level where taxes remain progressive.

In addition, by introducing the uniform business rate, Mr Patten has seized control of a large slice of local government income. From April, councils will have control over little more than a quarter of their total revenue. This means that if they want to raise revenue by 5 per cent more than central government deems appropriate, they will have to raise the regressive poll tax by 20 per cent. A gearing effect of this kind is a recipe for inefficiency rather than increased accountability: councils will spend the appropriate amount on services only if Whitehall-based officials are capable of correctly estimating their differing needs.

The demands on local government are likely to rise in the 1990s. Schooling, housing, community care and environmental policies will become increasingly important determinants of local quality of life. To discharge their responsibilities effectively, local authorities will need to raise a larger, rather than a smaller, proportion of revenue locally and be able to rely on fair and efficient local taxes. Mr Patten, a prisoner of the ideological 1980s, is introducing the wrong tax at the wrong time and in the wrong place.

ECONOMIC VIEWPOINT

The dragon ride ahead

By Samuel Brittan

There is a good deal of agreement that housing and land are central to many of Britain's economic problems, but much less agreement on how the link should be analysed and described.

Widespread disquiet is expressed among home owners and would-be sellers (as well as hope on the part of the Treasury) about the weakness of house prices. The Halifax index showed prices in December only 3 per cent higher than a year before and some 3 per cent down on July. The Society believes that prices could fall by up to 10 per cent in 1990.

Yet it is not the slump which is worrying many analysts, but the subsequent recovery. Their fear is that the present setback is just a policy-induced respite due to higher interest rates; and that the underlying trend is for property prices to take off, providing an impetus for the next inflationary boom. This will lead to another jerk in interest rates, inaugurating a fresh unhappy cycle.

The Halifax believes that the housing recession is similar to the corrections seen in 1972-73 and 1980-81 which did not stop subsequent prolonged upturns. The Society expects London and the south east, where the recession started, to inaugurate a recovery in 1991 leading to a mild boom in 1992.

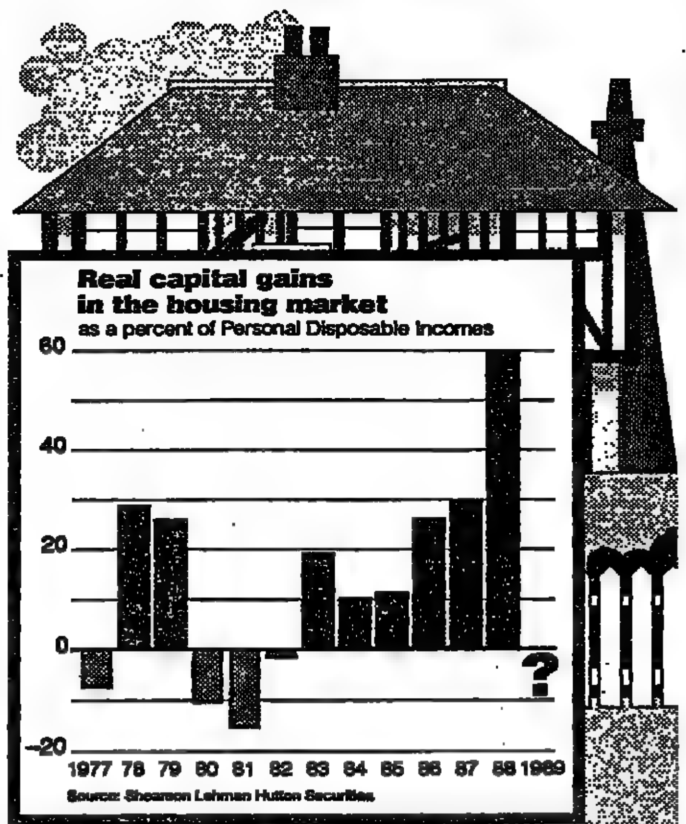
Looking further ahead it sees a return of buoyant conditions. Although there will be a fall in the number of young households, this should be offset by an increase in the number in the 30 to 59 age group, who are most likely to be owner-occupiers with mortgages.

The economic importance of the secular housing boom is discussed by Peter Spencer of Shearson Lehman Hutton in a paper with the surprising title: EMS: How to prepare Britain for full membership. Spencer's thesis is that the unique tax-exempt status of owner-occupied housing has biased UK personal investment towards dwellings, driving prices up to an artificially high level, stimulating spending through the wealth effect and necessitating high interest rates.

There are other subtleties. In the 1970s and early 1980s capital gains in housing were offset by large real losses suffered by the holders of liquid assets such as bank and building society deposits in a period of rapid inflation. Subsequently, lower inflation and higher real interest rates put an end to this erosion. The abolition of credit controls and financial liberalisation unlocked the floodgates. Most recently the replacement of domestic rates by the Community Charge has removed the last remaining tax on owner-occupied housing.

The total housing stock was around £1,000bn in 1989, on Spencer's estimate. Offsetting housing debt, the net equity in housing amounted to some £750bn, or nearly two and a half times disposable income. This overhang is seen as a big inflationary threat. House prices are likely to be driven up further by the prevalence of NIMBY ("not in my back yard") planning controls that will put a severe dampener on new construction.

The valuable part of Spencer's policy conclusions relate, not to the EMS, but to policies to curb the inflation of property values. The alternatives



are well known. Leaving aside the NIMBY minefield, they include:

- Phasing out mortgage interest relief;
- Eliminating it against the higher tax rate;
- Taxing the imputed rental value of owner-occupied houses;
- Taxing land values;
- Taxing capital gains from owner-occupied residences.

The last three proposals are the more fundamental. Peter Spencer has worked out in some detail how to implement

My judgment of John Major depends on whether or not he indulges in the perversity of raising the mortgage relief ceiling

the final one in what he fondly supposes to be a politically acceptable manner. He would only tax real capital gains (thus excluding appreciation reflecting the rise in the general price index) and he would grant rollover relief when people reinvest the proceeds of home sales in a new residence. The tax would have to be quite complicated to check avoidance. But when has this branch of tax law ever been simple?

The question of which fiscal reform to make is much less important than implementing at least one of them. Alas, my greatest fear about the Budget is that, so far from including any of them, it will take a giant step backwards instead and increase the value of the £30,000 ceiling for mortgage interest relief – which the previous Chancellor refused to increase, hoping that it would wither on the vine. John Major's laconic refusal to discuss the subject in his New Year interview with Peter Norman (compared with his discursiveness on other matters) signalled an amber light.

A small adjustment to the mortgage ceiling could theoretically be offset by a large move on one of the other reforms. Leaving aside this remote possibility, my own judgment of the Budget will depend not on the size of the prospective surplus or any monetary targets announced (the correct size of which is anyone's guess) but on whether or not the Chancellor indulges in the perversity of raising the mortgage relief ceiling. If he does, it will be a matter of indifference whether he has given in to pressure from the Prime Minister or whether he shares her instincts himself. Nothing would give me more pleasure than apologising for these suspicions – although it will take more than one Budget for the apology to be full-hearted.

For no one seems to have been able to convince the Prime Minister that the present fiscal subsidies and privileges for housing do not in the end benefit the young suburban couples of Tory fantasy, but spill over into higher land values and house prices. Yet there is much less disagreement among economists on this issue than almost any other subject.

* * *

SO FAR I have followed fashion by looking at the distortions of the housing market in terms of inflation. But a sufficiently determined monetary policy can, however, prevent these distortions from taking an inflationary form. This is so irrespective of whether a parochial monetarist policy is followed, or an international one operating through the exchange rate. The housing distortions can indeed make diagnosis harder, tempt governments into overlax policies and superimpose boom-bust cycles over the basic trend.

The real evils from distorted housing markets, which monetary policy cannot cure, are those of wasteful resource allocation, inefficient and ineffective relief of poverty, and a higher underlying rate of unemployment through a tax on mobility. They also show up in higher property values, *relative to other goods and services*.

Spencer makes much of a subtext on the EMS. Here consensus disappears. The subtext says that, because of the combination of rapidly rising structural demand for housing and NIMBY, exceptionally high interest rates are required in Britain to prevent inflation. Such high interest rates are incompatible with the European interest rate approximation required by EMS and even more by EMU. Therefore Britain cannot enter until the housing market is reformed; and hence the title of the paper, QED. Similar anxieties are behind the Treasury and Bank of England's reluctance to press for full EMS membership now. The difference is that Spencer extends them to the medium term.

The lowbrow answer is that the jolt from EMS membership is just what British Governments require if they are to be forced to change their policies of excessive housing subsidy and NIMBY controls. If EMS membership has to wait for housing reform, neither will occur. Busy business readers should stop here.

The underlying fallacy, however, of Spencer and those who think like he is to suppose that Britain has the option of permanently higher real interest rates outside the EMS – or, by implication, that Scotland or the North could have lower real interest rates with separate currencies.

Nominal interest rates can, of course, differ from one country to another. But they are offset by expected movements in the prices of traded products. These differentials can be temporarily enlarged by factors such as uncertainty premia or lack of policy credibility; and trade movements can introduce temporary complications. In the end, however, real interest rates are determined in a single international market. So the arguments for or against EMS membership are not affected either way.

BOOK REVIEW

When modern means outdated

By Charles Leadbeater

THE CONDITION OF POST MODERNITY
By David Harvey
Blackwell. £35 and £9.95

We are besieged by warnings that society is in the midst of an historic transformation with the passing of communism and even the end of history.

Womens' magazines write about the post feminist and sociologists muse about post industrial society. Amid this swirl of fashionable ideas the theories of post fordism and post modernism attract most attention.

The idea of post fordism, which was developed mainly by French Marxists, is that since the 1970s the post war capitalist economies have been undergoing a structural change. They developed on the foundations of mass manufacturing of standardised products, sold into distinct national markets, with work controlled by a strict division of labour.

In the 1990s companies are becoming more flexible and internationalised. Standardisation and volume are giving way to diversity and quality. More important the economy is growing increasingly immaterial. The currency of work in the future will be information flickering across a computer screen.

It has been much more difficult to pin down the idea of post modernism. Its claim is that there is a slowly emerging cultural transformation with western societies turning away from the project of modernity.

David Harvey's book is probably the best yet written on the link between these economic and cultural transformations. He moves easily between the architecture of cities and the economics of the flexible global corporation, between philosophy and an analysis of the cult film *Blade Runner*.

The book deals best with the historical perspective. The project of modernity was launched with the Enlightenment. The scientific domination of nature promised freedom from scarcity, want and the arbitrariness of natural calamity.

The rational organisation of society pledged liberation from the irrationalities of myth, religion, superstition. Questions of morality and value were to be separated from questions of fact and truth.

This notion, which unleashed enormous economic and cultural energy, was both revolutionary and conservative.

Modernism constantly threw up an avant garde which attempted to sweep away the past and pull society into the future. Between 1910 and 1915 Joyce wrote *Dubliners*, (1914) Lawrence *Sons and Lovers* (1913) and Pound produced the Vorticist manifesto.

A flourishing in art with Matisse, Picasso, Klee and Kandinsky, was matched in music. Stravinsky's *The Rite of Spring* opened in 1913. Equally significantly, F.W Taylor published his *Principles of Scientific Management* in 1911, two years before Henry Ford set in motion the first assembly line in Dearborn, Michigan.

But after the second world war modernism stagnated. Le Corbusier's visions of modern urban environments became drab tower blocks.

Domination of nature turned to despoliation. The nuclear age exposed the risk of separating science from morality. Stalinism turned the Communist cause into totalitarian violence.

In both East and West, the modernist project has fallen into disrepute.

Post modernism rejects the claim that the all-embracing narratives of rational scientific planning can explain and control the world.

We are particularly troubled to find our place in a more complex world with an economy which transcends national boundaries. We guide our way through cities as much by horror stories and myths, as by maps.

Heritage museums, the fashion for nostalgia, films like *Back to the Future* express our vexed relationship with a history which has become a commodity, a wardrobe from which we choose lifestyle accessories. Modernism set society on a line from the past to the future.

Harvey gives a more textured account of our condition. Modernism's disrepute has given rise to folkloric anti-modernism (in Prince Charles' architectural criticism) and attempts to recuperate modernism (Richard Rodgers' buildings.)

McDonald's Fordist production of hamburgers mingles with Ford's own move toward flexible production. The environmental movement is providing a new global narrative to guide us. The East European revolutions confirm that masses as political agents retain tremendous power.

Harvey argues that the post modern condition is primarily a mixed response to the economic upheaval which started in the 1970s. The implication is that once we reach calmer waters the apocalyptic talk will die down as we learn to cope with our new circumstances.

Yet it remains an implication, for as the book gets closer to the future it peters out. There is at least one glaring weakness. Although its describes a more integrated international economy its is almost exclusively concerned with North America and Europe. Yet it is impossible to explain the disruption of the western capitalist economies without an account of Japan's growth. And it is not at all clear that Japan ever had a modernist project.

Roper's road to Paris

■ A Briton is to become the first director of a new government-funded European defence research institute with its seat in Paris.

John Roper was chosen unanimously at a meeting of the Ambassadors to West European Union (WEU) yesterday after Belgium and Italy had withdrawn their candidates. He will take over as head of the Institute for Security Studies on July 1 with a professional staff of five and, by the standards of such think tanks, quite a generous budget. "We shall be able to commission studies and take on extra staff from time to time," Roper said yesterday.

The decision to found the Institute was taken by Defence and Foreign Ministers of the nine member states of WEU only last November. The organisation is made up of the core European Nato countries plus, recently, Spain and Portugal. Britain surprised everyone by moving in quickly with a candidate.

Roper, 54, is probably best known as a former Labour MP who was one of the original founders of the Social Democrats. He was the Labour Member for Farnworth 1970-81, switched to the SDP, then failed to be re-elected in 1983. Defence and the European Community have always been his key interests: he was a shadow Labour spokesman on defence for a while after Mrs Thatcher became Prime Minister.

Since 1985 he has been at the Royal Institute of International Affairs (Chatham House), currently as head of its International Security Programme. Chatham House is also seeking a new director to succeed Admiral Sir James Eberle, who retires at the end of this year. There was a temptation to stay there in the hope of getting his job, Roper admits, but he was attracted by something new.

OBSERVER

The WEU Institute will work at elbow's length from governments trying to stimulate debate, Roper says, though it will also undertake government research. One of its roles will be to establish close contacts with institutes in Eastern Europe. Michel Rocard, the French Prime Minister, had made several speeches calling for the establishment of a security think tank with a European identity before WEU acted.

As for the language? "I had a term at a Paris Lycée when I was at school 40 years ago. My French is reasonably good," Roper adds.

Wall Street Sun

■ There is a school of thought in what used to be called Fleet Street that the best editorials come from The Sun and the Wall Street Journal. They may be nonsense: you may not agree with them, but at least they are punchy and outspoken, as a leader ought to be.

It may seem a curious juxtaposition, but it is true. Which paper does this come from, for example? "With Hong Kong's fate in the balance, Britain's foreign office has unleashed fresh efforts to talk a lot and do nothing. The British foreign secretary, Douglas Hurd, wrapped up his four-day trip to Hong Kong yesterday with a press conference at which he enthused about the City's skyline – one of the more prominent themes of his visit...Hong Kong's Governor, Sir David Wilson, has also done his bit to do nothing. Last week Sir David travelled to Beijing, where he talked with Chinese Premier Li Peng about the weather...The result of all this skyline-seeing and weather-commenting is yet another promise by the British foreign office to study Hong Kong's situation and at some unspecified date do something-or-other."

Gotcha!

"If it hadn't been for that random breath test, we might never have met."

Cosmetic fight

■ Three years ago the IBA was perturbed by a prospective television commercial for Obsession, the raunchily marketed perfume from US fashion house Calvin Klein.

The purveyors of taste at the Broadcasting Authority had the same problem as Harvey Nichols: namely, a steamy soft-lens shot of an unclothed older woman with an equally visible younger boy. Nothing, however, prepared the IBA for the storm that was unleashed when Robin Burns, president of Calvin Klein's cosmetics division, flew into London and said her piece.

Burns, a 37-year-old New York fashion hotshot who comes from Cripple Creek, Colorado, is currently the talk of the town. She has turned the tables on Calvin Klein, which was acquired five months ago by Unilever, by handing in her notice and moving over to the presidency of Estée Lauder, the high temple of upmarket cosmetics. Her salary will rise from around $800,000 to over a million dollars a year.

Lauder has been run for 26 years by a now septuagenarian veteran of the Battle of Okinawa called Robert Barnes. The firm makes around $650m of annual sales (more than treble the cosmetics turnover at Calvin Klein) and controls an estimated 37 per cent of the rarified market in high price cosmetics, including the Clinique, Aramas and Prescriptives brands.

Leonard Lauder is the mild-mannered boss at the family firm, while his controversial brother Ronald earned his notoriety first by being involved in a "Waldheim incident" while serving as US ambassador to Vienna and more recently by spending many millions in an unsuccessful attempt to run for mayor of New York.

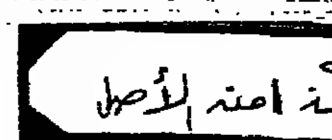
At Estée Lauder, the energetic Burns will have her work cut out: her mandate is nothing less than to "reinvent" the business, which means a serious facial treatment and more for a distinguished line of cosmetics that still has something of a 1950s feel.

Alan Mottus, a New York cosmetics analyst, describes Burns as "a full-fledged merchandising personality. She's very smart, can be extremely aggressive and can also be laid back when she needs to be."

Burns herself said yesterday that she wants to "move Estée Lauder into the 21st century" and describes her new job as "the dream of a cosmetics industry executive, a fantasy come true." As for the IBA incident, she says that while the ad was never shown in Britain, "the publicity helped us enormously".

Seasonal

■ Sign in the window of a Hampshire camera shop: "Everything for the Cold Snap."



Mr Gorbachev is desperately trying to hold the union together as nationalist fervour mounts, says **Quentin Peel**

Dagger at heart of perestroika

The explosion of race riots and virtual civil war in Azerbaijan, on the southern rim of the Soviet empire, could scarcely have come at a worse moment for Mr Mikhail Gorbachev.

The Soviet people are locked in a bitter winter of discontent from Yerevan to Yakutsk, eking out poor and often rationed food supplies, erratic energy, and the same old rotten and scarce consumer goods.

There were angry demonstrations in Sverdlovsk, the industrial capital of the Urals, when vodka and foodstuffs were unavailable even for ration coupons. In the heart of the Ukraine, at Chernigov, something like a riot happened when a Communist Party car was discovered loaded with sausages and vodka. Economic dislocation is fanning the flames of national discontent, as in Georgia, where power cuts have instantly aroused rumours of a deliberate Soviet blockade to undermine nationalist demonstrations.

In Siberia, maintenance engineers cannot keep the oil wells open, because there is no aviation fuel to fly them there. Across the country, the ruling party is in turmoil, faced with another round of local elections in the next two months.

Meanwhile Mr Gorbachev himself is right in the middle of an acutely sensitive exercise to defuse the first open demands for secession from the Soviet Union, from the Baltic republic of Lithuania. He is trying to head off his own allies in the Lithuanian Communist Party from leaving the Soviet Party.

For the first time ever, Soviet television viewers have been confronted with a debate about a republic seceding – and have seen their head of state forced to use every ounce of his personal prestige and charisma to counter the arguments, without success.

Mr Gorbachev has been trying to promote a vision of a genuine federation of sovereign socialist republics – with real autonomy for the constituent republics, unlike the rigid centralism of Moscow rule they have suffered in the past. To do that he must overcome decades of accumulated scepticism.

Meanwhile his party, and those other pillars of the Soviet establishment, the military and the KGB, are *still trying to digest the implications* of the counter-revolution in eastern Europe. Events there have already strongly encouraged the nationalism of almost 3m Romanian speakers in the border republic of Moldavia. In Lithuania, the native population openly compares itself with the peoples of eastern Europe outside the USSR – and demands similar treatment.

When Mr Gorbachev came to power almost five years ago, nationalism was one threat he did not seem to perceive. Unlike his predecessors Leonid Brezhnev and Nikita Khrushchev, he had never served time outside the heartland of the Russian federation.

Today he rates nationalism as a real threat not only to the cohesion of the union, but also to the survival of his entire perestroika reform process. He brands national movements with the same slogan of extremism, whether they are the peaceful Baltic type, or the violent mobs of Azerbaijan.

Now he has been forced to send thousands of troops to intervene in the bloody rivalry between Armenia and Azerbaijan, after two years of attempts to defuse it and force the two sides to negotiate.

No one disputes the need for the emergency measures. The slaughter of Armenians in Baku last weekend was only the latest ghastly manifestation of the conflict. For months armed gangs have been fighting a guerrilla war in the hills of Nagorno-Karabakh, the disputed enclave in which an Armenian majority wants to leave the jurisdiction of Azerbaijan, and unite with Armenia itself. A few thousand Interior Ministry troops have been incapable of bringing the situation under control, and now it has degenerated into open trench warfare.

But even if the conflict is seen as one of a kind, it is still perceived back in Moscow as yet another manifestation of the surge of nationalist sentiment since Mr Gorbachev opened the floodgates of glasnost. It is seen in the Russian heartland as another sign of the decline of their empire, and the demise of central authority. It is too easy from that point to blame the collapse on the perestroika process and not on the years of repression which preceded it.

Indeed, what is happening in the Trans-Caucasus already contains *many seeds of potential separatism,* as well as straightforward inter-ethnic violence. Azerbaijanis are venting their wrath not only on the Armenians, but also on Soviet troops and on the border guards who are stopping them from making common cause with their relations in Iran.

So how can the Soviet leader meet enough of the nationalist aspirations to calm them, and yet keep his Russian heartland quiet?

Cold logic suggests he should let the rebellious republics go. Who needs the tiny Baltic states? Estonia and Latvia are even smaller than Lithuania. They could become glorified free trade zones for the foreign capital the Soviet Union wants to attract, a window on the West to compete with neighbouring Finland. As for the Trans-Caucasus, its irrepressible peoples have been a headache for every invader since the Romans, when Pliny complained they needed more than 100 interpreters to make themselves understood. Why not let them quit?

If such thoughts have crossed Mr Gorbachev's mind, they have never passed his lips. Quite the opposite.

"The current party and state leadership will not permit the disintegration of the union state," he declared on Christmas Day, to a storm of applause from his ruling central committee. "The actions required to preserve the union and to ensure its unity are a strict necessity, and there should be no illusions concerning the centre's intentions and capabilities."

Behind that national unity, the one other thing he was adamant about was the unity of the Communist Party. "The limits beyond which one must not go must be clearly outlined," he said. "One such limit is the impossibility of rejecting the single structure of the CPSU . . . Is it not clear that in crossing that line, it can be said we will be deliberately taking matters in the direction of dismembering the USSR, and that is an historic impasse for the peoples of the Soviet Union?"

In the phrase "it can be said," lies the Soviet leader's recognition of the Russian backlash to come if he dares countenance secession.

In that backlash, perhaps the greatest unknown factor is the Soviet military. The one meeting Mr Gorbachev held in Lithuania which *went virtually unreported was his talk with the Red Army commanders.* Yet in his efforts to persuade the Lithuanians, he warned repeatedly of the security threat to the whole nation if they insist on their right to secede. He also stressed the military investment in the region.

Indeed, he must be acutely aware that the Red Army mess rooms may already be echoing Lady Bracknell: "To lose eastern Europe, Mr Gorbachev, may be regarded as a misfortune; to lose the Baltics, too, looks like carelessness."

Mr Gorbachev went to Lithuania and found a population overwhelmingly supporting a secessionist line. If he did not see, he certainly heard, the massive demonstration for "freedom and independence" on Cathedral Square, and all the church bells which rang out to mark the moment.

His words there were probably aimed not so much at persuading Lithuanians to come back to the fold, as in persuading his Russian constituency that he was doing everything in his power to dissuade them, short of using force. He is offering a rosy vision of true federation and admitting that the federal constitution of the USSR is not worth the paper it is written on.

"Up to now our state has existed as a centralised and unitary state, and none of us has yet had the experience of living in a federation," he said. He proposed "a full-blooded federation in which all republics will be able to feel they really are sovereign states."

The Lithuanians were deeply sceptical. When he promised a new law on the process of secession, they accused him of deliberate delusion: the law would make it more difficult, not easier. In the view of Mr Vytautas Landsbergis, a moderate leader of a moderate nationalist movement, it was "a cheap lie for naïve people in the West."

The problem for Mr Gorbachev now is not just that the nationalist tide has gone beyond the reach of his persuasion. The logic of his perestroika reforms is also accelerating the process.

His attempts to decentralise the economy, and break the sterile monopoly of ministerial control, is actually encouraging the formation of independent economic states throughout the union.

In an economy dominated by *shortages of virtually every* important commodity, whether industrial inputs or consumer goods, allowing economic decision-making to be taken at republican or even regional level is simply encouraging the erection of economic barriers. Not only the Baltic states, but many cities and regions have now introduced a rationing system reserving their local produce for local residents. If there is a surplus, it is bartered, not sold, for a deficit good.

Mr Gorbachev argues forcefully that the little republics cannot afford to break away from the union. He automatically assumes that it would mean cutting all their economic links with the centre. Yet his reforms are encouraging that process.

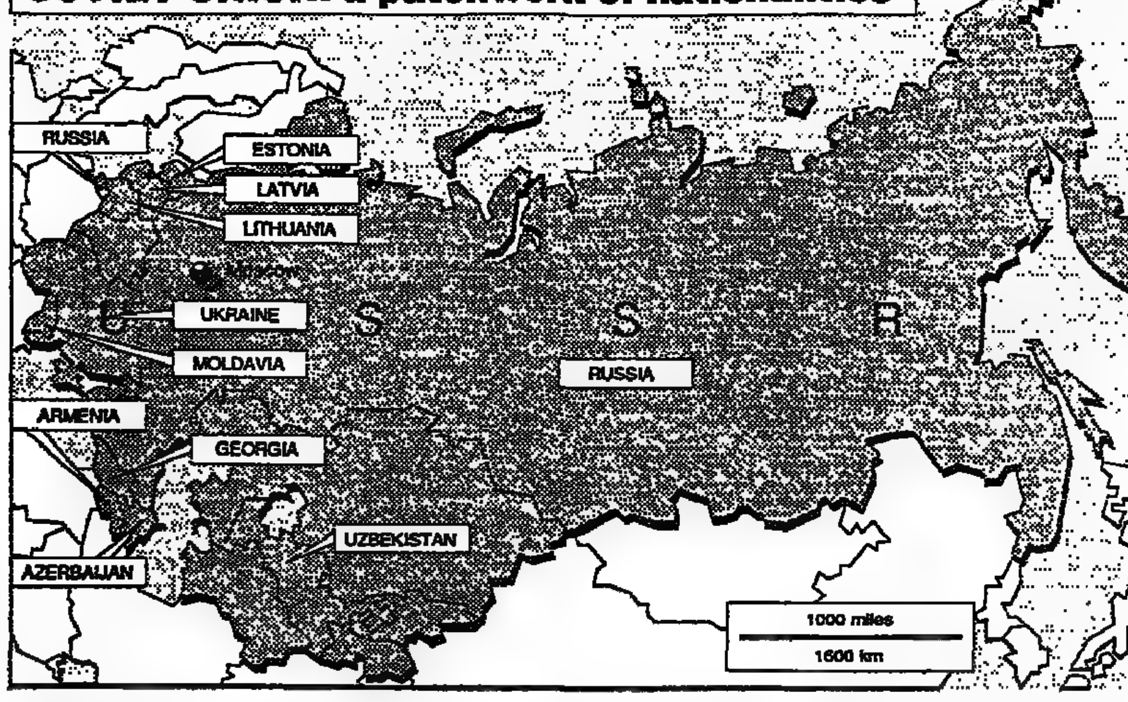
If, on the other hand, he were prepared to negotiate an orderly secession with republics which can show an overwhelming popular desire to leave – Lithuania may be one of very few that can do so – there is no reason why the economic links should be broken. Lithuania might have to pay a free market price for its oil and raw materials, but Lithuanians are prepared to do so.

It gives the Soviet leader a very strong bargaining position in any negotiations, but unless he wishes to impose total economic sanctions, rno real case for dismissing independence out of hand.

Mr Gorbachev knows that at present his party, and his Russian constituency, is not ready for any dissolution of the union. He will strive to make a future federation as flexible and attractive as possible, to distract and delay nationalist demands for outright secession.

In the meantime he must reform the ruling party, and prepare the way for the inevitability of a multi-party system. If he can get that far without provoking the threatened conservative backlash, then, and only then, he might be prepared to countenance the secession of some of the most disaffected republics.

SOVIET UNION: a patchwork of nationalities



THE BALTIC REPUBLICS

■ *Estonia, Latvia and Lithuania* are steadily moving towards ultimate independence. All are holding multi-party elections for their soviets; all have abolished the "leading role" of the Communist Party.

Lithuania, where 80 per cent of the 3.5m population is Lithuanian, is most committed to outright independence. Estonia has always pulled back from final confrontation, but faces a backlash from its Russian-speaking minority. Latvia is in the most difficult situation, with *natives* now in a minority, but as a result more potentially radical than the rest.

THE TRANS-CAUCASUS

■ *The most explosive melting pot.* The dispute between Armenia and Azerbaijan over who should control Nagorno-Karabakh is now sinking into virtual civil war. In Azerbaijan, the increasingly militant Popular Front has seized the initiative from the Communist Party, many of whose officials *openly co-operate with the nationalists.* Growing minority demanding reunification of the Azerbaijani nation in Iran and the Soviet Union. In Armenia, the Party barely in control, with much influence passing to the Armenian National Movement. Yet the earthquake of December 1988, and two years of ethnic riots, have put off immediate thoughts of secession.

In Georgia, demands for independence, dismissal of the Communist Party government, and revenge for the massacre of 20 demonstrators by Soviet soldiers in Tbilisi last April, still dominate debate. But independence movement fragmented, and the situation complicated by two local ethnic conflicts: the demand by Abkhazians to have complete autonomy from Georgia in the west of the republic, and by South Ossetia to join the Russian federation in the *north.*

CENTRAL ASIA

■ The great soft underbelly of the Soviet empire is apparently quiet, but deep tensions exist. The fear is that as in Azerbaijan, they could swiftly become very violent. Corruption endemic in Central Asian Communist Parties, especially in *Uzbekistan. Environmental disasters* like the destruction of the Aral Sea, poverty, malnutrition, high child mortality and unemployment, all aggravated resentment of Soviet rule.

Race riots between Uzbeks and Meskhetian Turks – exiled to the republic by Stalin – left 99 dead last June. Land hunger, unemployment and Moslem rivalries all blamed. Resentment against migrant workers was behind clashes in oil industry town of Novy Uzen in Kazakhstan in June, and further disturbances in Semipalatinsk in September. In each case, race and economic deprivation combined.

THE WESTERN FRONTIER

■ The overthrow of Ceausescu in Romania has boosted nationalists in Moldavia, leading to reunification demands. There was already tension between the Romanian and Russian-speaking populations.

The Ukraine is Mr Gorbachev biggest worry: he cannot afford to lose the 50m-strong republic, bread basket of the country, a big centre of industry, and boasting the huge Donbas coal field. But an unreconstructed Communist Party failed to stem the rise of Rukh, the *national movement, strongest in* the Western Ukraine. There followers of the Uniate Catholic church are demanding the return of their churches from the state, and the Russian Orthodox church.

LETTERS

Shift of values needed for penal reform

From Mr Andrew Rutherford.

Sir, Justinian ("One authority would crown penal reform," January 15) is surely correct in believing that the forthcoming white paper on criminal justice and the recently announced reorganisation of the Prison Service provide an opportunity to shift the emphasis of penal policy from custody to the community. A new and wide-ranging criminal justice executive, as formulated by Justinian, certainly merits careful consideration.

Getting the organisational structure right is why part of what is required of fundamental importance is the need to dismantle the punitive culture that has gathered pace over recent years. The real urgency lies in the realm of political philosophy, for a shift of values rather than bureaucratic arrangements.

Eighty years ago, Winston Churchill as Home Secretary, ushered in a new and milder generation of attitudes to crime and punishment. It would be heartening if Churchill's words to the House of Commons on July 20 1910 were to find an echo in the deliberations prompted by Mr David Waddington's white paper: " . . . the treatment of crime and criminals mark and measure the stored-up strength of a nation, and are the sign and proof of the living virtue in it."

Andrew Rutherford,
Chairman,
Howard League for Penal Reform,
708 Holloway Road, N19

Loan help for musicians

From Lord Roll of Ipsden.

Sir, Jurek Martin in ("No strings attached", January 11) wrote of talented British musicians' difficulties when they need to acquire stringed instruments of the highest quality, in "competition" with buyers from the rest of the world.

The Arts Council, Musicians' Union, Royal Society of Arts and Worshipful Company of Musicians set up the Loan Fund for Musical Instruments 10 years ago, to help them.

Its first nine annual reports show that the fund lent £970,517 to 224 talented young professionals. The money came from many generous gifts, from business houses, trusts and private individuals, and from "recycling" the loans as they were repaid (over a maximum of five years).

Further donations will be greatly welcomed, to enable the scope of the fund to be enlarged: prices of all musicians' essential "tools" (not only stringed instruments) must be expected to continue to go up, and British players will need increased help.

Roll,
2 Finsbury Avenue, EC2

Management's 'muscle-flexing'

From Mr John Lyons.

Sir, With regard to John Gapper's report ("Power industry cuts union bargaining," January 11), it is only technically true that managers have had the choice of staying with collective bargaining or accepting personal contracts. In the majority of cases they have been offered either more money, or the promise of more money, if they accept a personal contract instead.

At the same time, the employers' side of the National Joint Managerial Council refused a claim last year to increase managerial differentials, and also refused to allow the claim to go to arbitration.

The employers have not withdrawn from the NJMC, as legally entitled to do. They have undermined it instead.

In the same way most of the employers are refusing to operate the local joint machinery for discussing managerial issues though they know very well that their managers want to retain some form of joint managerial machinery on a company basis.

However, virtually all the managers involved have retained association membership, They particularly want to have an organisation able to back them up if need be, and which also provides a range of services.

The shortly-to-be-privatised boards of management are flexing their muscles, trying to show how "with-it" they are with the contemporary ideology about how to treat managers, Within a few years it will be found not to work very well, and forms of joint representational machinery will be reconstituted to the mutual advantage of employers and managers.

John Lyons,
General Secretary,
Engineers' and Managers' Association,
Station House,
Fox Lane North,
Chertsey, Surrey

E Europe and food shortages

From Mr Tim Roseby.

Sir, David Richardson's analysis of the implications of developments in eastern Europe ("How food has changed the face of Europe," January 9) concludes surprisingly that they will lead to a sizeable worldwide shortage of food.

I wonder whether the problem is one of shortage or lack of availability of the right kind of food caused by inappropriate price signals and resource misallocation.

Further, is it not likely that, with anticipated new investment, influx of technical expertise into eastern Europe (food aid will not alleviate long-term problems but will cause further market distortions) and more market oriented-policies, we may soon see a significant increase in food production there. This will either displace imported food or be exported in search of hard currency.

All the more reason to negotiate effective and universally applicable multilateral rules for agricultural trade rather than contemplate additional food production in less efficient countries to meet so-called "food shortages."

Tim Roseby,
Counsellor (Agriculture),
Australian High Commission,
Australia House,
Strand, WC2

Ugandan agriculture and the impact of AIDS

From Mr David FitzSimons and Mrs Hilary Richardson.

Sir, In his article ("Ugandan agriculture – a shadow of its former self," January 11) Julian Ozanne makes no mention of the present and future impact of AIDS.

Among the 16m population there have been more than 7,300 reported cases of AIDS although the actual total is thought to be much higher. Nearly 1m people are thought to be infected with HIV, the causative virus of AIDS.

Most of the people infected are young productive members of society. Their loss will have serious consequences at individual and societal levels. At the former, costs will be incurred through care and containment of the disease, through loss of earnings, services, labour and expertise, and there will be costs in terms of increased burdens on households. Children without parents or with dying parents will not be able to afford education, for example. At community level there will be shortages of labour and reduced investment in agriculture, increased costs of care for the sick and their dependants.

In mid-1987 a survey of 15 hospitals in Uganda showed that 42 per cent of patients were infected with HIV. More recent studies have shown that 1-12 per cent of rural populations are infected and likewise a quarter of women attending ante-natal clinics in Kampala.

That Uganda is only one of many sub-Saharan African countries seriously affected by AIDS (countries such as Zambia, Malawi and the Congo have similar or higher rates of incidence of AIDS) only serves to highlight the enormous burden facing Africa, with the attendant socio-economic implications.

The UK has some of the finest information services on AIDS in the world (the World Health Organisation contracts us to publish a regular bulletin for it) and the mass of information available contains data on social and economic aspects.

But Mr Ozanne is not alone in ignoring the issue. The World Bank's strategy for African economic recovery, published last November, devotes just one page to AIDS.

David W. FitzSimons and,
Hilary M Richardson,
Bureau of Hygiene and Tropical Diseases,
Keppel Street, WC1

FINANCIAL TIMES
Thursday January 18 1990

UK FORD PAY DISPUTE

Strike looms after wages offer is rejected

By Michael Smith and Michael Cassell in London

THE BRITISH Government's efforts to hold down the level of pay settlements were dealt a severe blow yesterday when union leaders at Ford Motor Company rejected an increased pay offer and recommended their members to strike indefinitely from next Friday.

Their decision, after five hours of talks, is likely to influence pay talks underway for millions of workers across British industry. The Ford pay settlement is traditionally seen as a benchmark and nearly a quarter of all UK pay deals have settlement dates this month.

Ford's main production plants were already at a standstill yesterday because of unofficial walkouts by at least 9,000 employees protesting about the previous pay offer made last week. Many workers may stay out rather than await the outcome of the ballot next Tuesday.

In yesterday's talks Ford offered to increase the minimum guaranteed pay rise in the second year of a two-year pay deal by half a percentage point to 8 per cent. It also said it would give an extra day's holiday a year to employees with 10 years' service or more.

The company made no move on its 10.2 per cent offer for the first year of the deal. It also rejected union claims for a reduction in the 39-hour working week for the 31,800 manual workers affected by the negotiations.

Mr Jack Adams, lead union negotiator, said both sides agreed they had exhausted negotiations. "That is the end of attempts to negotiate short of a dispute."

Although the company remained firm on the first year of the offer, ministers had already made clear their concern about the effects of a 10.2 per cent rise on other pay deals and on the rate of inflation.

Further evidence of the upward pressure on wage deals came yesterday from Incomes Data Services, the UK pay research company, in a survey showing that January pay settlements are bunching between 7.5 and 10 per cent and are generally 1 to 3 percentage points higher than a year ago.

City economists expect government figures today to show a third consecutive monthly rise in average earnings. The rate rose to 9 per cent in September after settling for three months in the summer at 8.75 per cent and accelerated further in October to 9.25 per cent.

While the Government has emphasised that high pay awards in the private sector are acceptable if accompanied by increases in productivity, ministers fear they nevertheless threaten to undermine the present anti-inflation policy.

There is also mounting concern that high settlements will begin to work through into rising unemployment as the next general election approaches.

Further possible discomfort for the Government awaits in decisions over pay review body recommendations - which ministers will receive shortly - which are expected to involve awards beyond the level offered to ambulance workers.

A strike at Ford would be the second all-out official stoppage at the company in two years. The company lost production worth at least £200m ($330m) when it suffered a two-week stoppage at the start of 1988, again over pay.

Mr Adams said yesterday that he and fellow union leaders were unanimous in recommending rejection of this year's pay offer and were confident of backing in the ballots.

Ford's manual workers voted in December by a margin of four to one to reject an offer which would have provided 9.5 per cent in the first year and inflation plus 2.5 percentage points in the second. Mr Adams said there was only a marginal difference between that offer and the one proposed by Ford yesterday.

Picture Ashley Ashwood
Striking Ford workers picket pay negotiations at the company's London offices

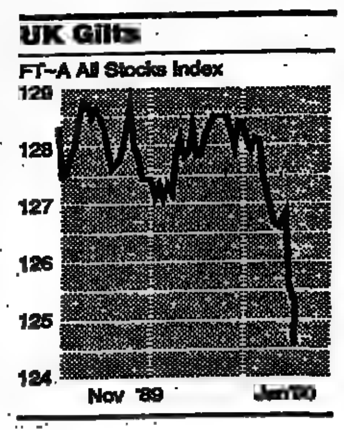
THE LEX COLUMN

The puzzle of the bond markets

There are various ways of explaining the latest sharp drop in the UK gilt market. If the Ford workers get their way – and they are showing few signs yet of compromising – 10 per cent plus pay awards may become the norm rather than the exception. The surprisingly small budget surplus in December does not help sentiment either. But the odd thing is that virtually all the bond markets round the world have been heading south for weeks now. While there are plausible explanations for individual performances, the general decline is a puzzle.

Admittedly, there has been a brief flurry in oil prices and the gold price has been bobbing around. But commodity prices generally are around a fifth lower than a year ago, and the latest readings on the health of the world economy are little different from a few months ago. Investors in Japan and West Germany share some of the UK's concerns about an acceleration in inflation. But this hardly justifies the dramatic change in sentiment in the bond markets which has pushed real bond yields in most countries, apart from the UK, to their highest levels for some time.

The recent snap in confidence in bonds is nowhere near as pronounced as that preceding the October 1987 market break. Nevertheless, it must be a worry for the equity markets. Not only does it make equities look more expensive, but it is occurring at a time when growing political uncertainties in Eastern Europe suggest that the more cautious investor ought to be thinking of buying rather than selling government paper. If the message from the global bond markets is that a further round of monetary tightening is overdue, the robustness of the equity markets is all the harder to explain.



PSDR

The much lower than expected budget surplus for December further complicates Mr Major's Budget sums. The figure was depressed by the £1.6bn sweetener needed to sell off the water companies and by a jump in local authority borrowing ahead of tighter spending constraints in April. But the underlying deterioration – this year's running surplus is £5bn down on last year's – cannot now be explained simply by the fall in privatisation revenues. Inflation, which boosts receipts, has been higher than Budget forecasts and GDP growth has been not far short of expectations. Forecasts for the 1989/90 surplus are edging down to £10.5bn, compared with the £12.5bn prediction in the Autumn Statement.

January will produce a huge surplus – an average £6.6bn in the last two years – because of the concentration of corporation tax payments. But for a Chancellor within two years of an election, Mr Major faces the frustration of a Santa Claus with his sleigh clamped. He cannot afford to give money away.

Market concern over inflation and rising wage demands was already pressing the Chancellor not to index personal allowances. And if, to avoid the short term impact on the RPI, Mr Major decides against raising excise duties, he may want the £1.6bn of extra revenue non-indexation would provide. As the economy slows the surplus should shrink quickly, particularly as companies offset their rising interest costs against tax. The profits from selling off the remaining BT stake, and whatever can be squeezed from the first instalment of the electricity float, could be needed to maintain a healthy surplus next year.

Small companies

It was already becoming obvious that 1989 was a rotten year for small company shares. It now seems it was the worst ever. The Hoare Govett small companies index produced a total return of 11 per cent last year, against 36 per cent for the All-Share. The 25 per cent gap is the biggest on record, barring the freak year of 1975 when small companies produced 116 per cent and the All-Share 152 per cent.

This could perhaps be put down to a self-defeating acceptance of the theory of small company outperformance. The service being offered by London brokers on small companies is sharply on the increase. In the US, where the size effect has been longer recognised, 1989 was another poor year after a run of bad ones.

A more plausible explanation lies in the fact that small companies are more geared to the domestic cycle. The p/e on the Hoare Govett Index is now slightly lower than that on the All-Share. The last time that happened was in 1979, just before the 1980/81 recession. In Japan and West Germany, both at an earlier phase in the cycle, small companies are still outperforming handsomely.

Other special factors in the UK last year included the degree of corporate activity among larger companies, some of which involved large companies like BAT being priced up in the hope that they were about to be broken into small ones. The small companies index is also heavily overweight in stricken sectors such as construction, property, textiles and packaging. The contrarian would say it all amounts to a case for buying small again. But not just yet.

Lovell/Higgs

By stepping into the market yesterday to buy 5.3 per cent of Higgs and Hill, Lovell has injected a late burst of life into a paper-dominated bid that was looking defunct three days before Saturday's close. Lovell would hardly spend £8m purely to save face; equally, it seems far-fetched to suppose its aim is to strengthen its hand in case it wants to try again for Higgs in 1991. So the buying must signify Lovell's confidence this time around.

This still looks misplaced. True, at last night's closing Lovell price of 252p, the offer may look to be worth a little more than 493p per share. A pessimistic Higgs shareholder could just about accept that as a fair price, though it would include barely any premium for control. But Lovell's shares are probably only as high as they are because the stock market thinks the bid is doomed; so the real value of its bid now is probably substantially lower than 493p.

If Lovell fails, the reasons are not hard to find. Look at just three: no full cash alternative, vagueness about the industrial logic, and the striking recovery construction shares have staged against the FT-All Share since late November.

Japan to continue curbs on car exports

By Robert Thomson in Tokyo

JAPAN's Ministry of International Trade and Industry (Miti), keen not to aggravate the US at a time of increasing bilateral trade friction, said yesterday that Japanese car makers would continue "voluntary" export restraints in the coming financial year.

The ceiling on exports will be 2.3m units for the year ending March 1991, the same as this year. This is the ninth year of restrained exports to the US, where Japanese cars have again become a sensitive issue.

Mr Hikaru Matsunaga, the Miti minister, said that trade friction between Japan and the US had prompted the continuation of the export curbs, although the export figure for the current financial year, estimated at about 2.1m units, will be well below the ceiling.

Japan fears that cars will become a source of serious trade disputes because a US car workers' union has called for a lower import ceiling and some US officials have recently complained that Japan's car market remains partly closed.

Sales of imported cars in Japan rose 35 per cent last year.

At the same time, Japanese makers' penetration of the US car market has increased as US production facilities have come on line. A Japanese model was the top-selling car in the US last year and the combined market share of Japanese cars reached 30 per cent for the first time.

The ceiling on exports was initially set at 1.68m units and was gradually increased until 1985 when it reached 2.3m units. Export volume has not reached the ceiling figure in the past two years but Mr Matsunaga said that the curbs would remain, to ensure that the trend continued.

Miti has been concerned by the plans of most Japanese makers to expand domestic production facilities to cope with strong demand in the local market.

The ministry fears that when local demand cools, makers will be tempted to increase exports to cope with surplus capacity.

• Mitsubishi Motors yesterday unveiled a plan to sharply increase its imports of parts, components and finished vehicles by 1992, AP-DJ reports from Tokyo.

Mitsubishi Motors expects the value of its imports to reach Y100bn ($655m) in 1992, up from Y27.9bn in fiscal 1988.

Japan's Ministry of International Trade and Industry is widely believed to be putting pressure on companies to increase imports to reduce the nation's trade surplus and ease friction with the US.

The company plans a big increase in its imports of finished vehicles. It aims to import vehicles worth Y35bn, up from Y400m in fiscal 1988.

Finished-vehicle imports in 1992 will consist of 10,000 vehicles made by Diamond-Star and Mitsubishi Motors Australia, and 5,000 vehicles made by Daimler-Benz AG of West Germany, with which Mitsubishi Motors has a production agreement, the company said.

The company plans to increase its imports of parts 140 per cent above fiscal 1988 levels of Y27.5bn.

It will begin imports of air-bags, transmissions, oxygen sensors and other parts under the plan, the company said. It will also increase its use of imported tyres, glass, catalysts and other materials.

The company will also import engine components, transmissions and other parts from Diamond-Star of the US, a joint venture with Chrysler, Mitsubishi Motors Australia, and Hyundai Motor of South Korea.

Prague asks to join OECD

By David Marsh in Bonn

CZECHOSLOVAKIA has asked to join the Organisation for Economic Co-operation and Development, the research and advisory grouping of 24 western industrialised nations.

Mr Jean-Claude Paye, the OECD's secretary general, said yesterday that Czech officials on Tuesday met officials at the organisation's headquarters in Paris. Czechoslovakia has already said it wants to join the IMF.

Mr Paye also said that an 11-strong delegation from the Soviet Union was in Paris this week to explore "developing a relationship" with the OECD.

Mr Paye, visiting West Germany for talks on widening economic co-operation with eastern Europe, said the OECD had a strong interest in extending "policy dialogue" with the former Communist bloc.

He said that Czechoslovakia stated "precisely and squarely" its interest in OECD membership, indicating that this could go beyond the associate status held by Yugoslavia and sought by Hungary and Poland.

Bulgaria has also asked for links with the OECD.

Mr Paye warned that the organisation was already "overloaded" by its expanding ties with the East, and was requesting more funds from members.

He said his organisation could use its experience of building up Europe's economies after the war to advise eastern Europe on switching to market economics.

The OECD's strength lay in its ability to bring together different countries for informal discussions rather than negotiations, he said.

In seeking to carry out "painful reforms and changes" in the domestic economy, the former Communist states in the East would find it helpful to tell domestic public opinion "that partners in the OECD are doing the same," he said.

Tim Dickson in Strasbourg adds: Mr Alexander Dubcek, victim of the 1968 Prague Spring and President of the Czechoslovak Parliament, yesterday said that European Community membership for his country was only a matter of time.

Speaking in Strasburg shortly after receiving the Sakharov prize from the European Parliament, Mr Dubcek acknowledged that there were many procedures and problems to overcome but promised that Czechosolvakia would take all the necessary steps to make itself acceptable.

US deficit grows due to Boeing dispute

By Anthony Harris in Washington

THE US trade deficit widened unexpectedly to $10.5bn in November, its highest level in 1989, while industrial production in December rose by a further 0.4 per cent.

However, these apparently important changes were almost entirely due to the Boeing strike in November and its settlement at the end of the month, and to the abnormally cold weather in December. Analysts concluded that there was no change in the underlying picture of a weak industrial sector and a slowly improving trade balance, and there was little reaction in the financial markets.

The economy is "basically sound" said Mr Marlin Fitzwater, White House spokesman. "There don't seem to be any real danger signals at the moment. We think our policies are sound."

He pointed out that the trade deficit shrank during the first 11 months of the year and claimed that the trend "is still moving in the right direction."

The Boeing strike reduced aircraft exports by $900m from the already depressed October level, accounting for the whole of the 2.7 per cent drop in exports to $30.19bn. Over the longer term, strong growth in aircraft exports is expected, since the industry has record order books. Another large order from Singapore Airlines was announced on Tuesday.

The figures for the first 11 months of the year show exports up 13.4 per cent (13.8 per cent if the strike losses are added back), while imports have risen 8.4 per cent.

Capital goods, including aircraft, are the biggest category, accounting for just over a third of exports, and industrial goods account for a further quarter. However, the fastest-growing sector is the relatively small consumer goods sector, which has achieved a 42 per cent growth in shipments over the same period in 1988. They accounted for nearly 9 per cent of 1989 exports, compared with 7 per cent in 1988.

On the import side, industrial demand for plant and materials accounts for more than half the total, and most of the growth.

The 0.4 per cent rise in industrial output in December was a result of the Boeing settlement, which led to a 0.2 per cent recovery in manufacturing, and a 5 per cent rise in the output of the power utilities in response to the cold weather. This also led to a rise in the capacity utilisation rate to 83.3 per cent, up from 81.1 per cent in November.

It was estimated that without these special factors industrial output and capacity use would have shown virtually no change, while manufacturing output would have fallen by 0.2 per cent.

Delors budget advice

Continued from Page 1

day's speech in Strasbourg and Chancellor Helmut Kohl's speech last night to the French Institute of International Relations in Paris.

Mr Delors was less specific about the EC's future political relationships with other newly democratised countries in eastern Europe.

However, he emphasised the need for "new open-ended forms of co-operation" which would be set apart from ordinary trade agreements "which merely reflect the balance of interests at a given point in time."

The central lesson which Mr Delors carried to the Euro MPs, however, was that events in the east and the danger of resurgent nationalism underlined the urgent need for closer political integration.

In a clear indication of where his priorities lie, for example, he said: "There is a clear risk that the economic attractions of the single market for neighbouring countries will have an adverse effect on the political identity of those who signed the Single Act and committed themselves to "transforming relations as a whole among their states into a European Union."

No change to frontiers

Continued from Page 1

iour of yesterday and the day before."

The Chancellor acknowledged the anxiety of Germany's neighbours over the frontiers of a new state joining the two Germanys. "I want to say this quite clearly: No responsible political leader in West Germany, no political group worthy of being taken seriously, dreams of a Greater Germany."

Chancellor Kohl cited the juridical precedent of the 1970 Treaty of Warsaw between West Germany and Poland, which explicitly confirmed the inviolability of their frontiers and the renunciation of any territorial claims.

"Moreover," he said, "the Germans have no intention of provoking in the Europe of tomorrow a discussion about frontiers which would necessarily jeopardise the order of peace in Europe to which we all aspire."

On some previous occasions Chancellor Kohl has appeared to dodge the question of Germany's eastern frontiers, so as not to be outflanked by the extreme right in West Germany, before crucial general elections at the end of this year.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	S	[illegible]	[illegible]	Malta	S	15	59	Rhodes	S	17	63
Algiers	S	14	57	Edinburgh	C	5	41	Manchester	S	6	43	Rio de J'o	F	[illegible]	[illegible]
Amsterdam	F	9	48	Faro	S	15	59	Manila	F	28	82	Rome	S	11	52
Athens	S	13	55	Florence	F	7	45	Melbourne	S	20	68	Salzburg	S	11	52
Bahrain	S	15	59	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	F	23	74	San Francisco	C	7	45
Bangkok	F	32	90	Funchal	[illegible]	[illegible]	[illegible]	Miami	C	23	73	Seoul	S	5	41
Barcelona	S	12	54	Geneva	S	[illegible]	[illegible]	Milan	S	10	50	Singapore	R	25	77
Beirut	–	–	–	Gibraltar	S	15	59	Montreal	Dr	-3	27	Stockholm	C	5	41
Belfast	F	4	39	Glasgow	C	[illegible]	[illegible]	Moscow	Sn	-4	25	Strasbourg	C	8	46
Belgrade	S	7	45	Guernsey	F	9	48	Munich	S	7	45	Sydney	C	20	68
Berlin	R	11	52	Helsinki	Sn	-3	27	Nairobi	F	25	77	Taipei	F	23	73
Biarritz	[illegible]	13	55	H. Kong	C	[illegible]	[illegible]	Naples	S	[illegible]	[illegible]	Tangier	S	17	63
Bombay	S	32	90	Innsbruck	S	5	41	Nassau	C	27	80	Tel Aviv	F	13	55
Bordeaux	[illegible]	11	52	Inverness	C	5	41	New Delhi	S	22	72	Tenerife	–	–	–
Brussels	C	9	48	Islamabad	R	14	57	New York	[illegible]	[illegible]	[illegible]	Tokyo	S	7	45
Budapest	C	6	43	Istanbul	[illegible]	9	48	Nice	S	13	55	Toronto	Fg	[illegible]	[illegible]
B. Aires	F	33	91	Jakarta	R	[illegible]	[illegible]	Nicosia	S	16	61	Tunis	–	–	–
Cairo	F	18	64	Jersey	F	10	50	Oporto	F	[illegible]	[illegible]	Valencia	S	[illegible]	[illegible]
Cape Town	S	23	73	Jo'burg	F	26	79	Oslo	F	[illegible]	[illegible]	Venice	S	6	43
Caracas	C	28	82	Lima	F	26	78	Paris	C	8	46	Vienna	S	14	57
Casablanca	S	15	59	Lisbon	C	9	48	Peking	S	5	41	Warsaw	C	8	46
Chicago	R	12	54	London	S	[illegible]	[illegible]	Prague	C	[illegible]	[illegible]	Washington	S	4	39
Cologne	R	10	50	Los Angeles	S	9	48	Reykjavik	Sn	1	34	Zurich	S	[illegible]	[illegible]
Copenhagen	F	7	45	Luxembourg	Dr	7	45								
Corfu	S	15	59	Madrid	S	6	43								
Dallas	C	18	66	Majorca	S	15	59								
Dublin	S	5	41	Malaga	S	11	52								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Troops thwarted by civil unrest

Continued from Page 1

of armed Armenians were reported massing on the border between the two republics, attempting to break through to join the fighting.

The Soviet media – the only ones with access to the area – also reported many attacks on militia and military posts to seize weapons. An attempt was also made to seize five tanks, the Interior Ministry said.

The Ministry, whose troops are the main force attempting to reimpose law and order, said an additional 6,600 arrived there yesterday, as well as 5,000 regular army troops.

The build-up brought to 12,000 the number of Interior Ministry troops in the republic, but their movement was still severely hampered by mass demonstrations and roadblocks.

In Gandzha, the city formerly named Kirovabad, armed Azerbaijani militants were reported patrolling the streets and a local journalist said members of Soviet soldiers' families had been kidnapped to stop them intervening in the fighting.

The airport and railway station were also being blockaded by supporters of the Azerbaijan Popular Front, according to Tass, the official news agency.

Radio Moscow's Interfax news service reported "hundreds of trucks carrying Armenian militants massed near the border between the Lacha and Kubatla districts." It also reported Armenian attacks on Azerbaijani settlements in Nakhichevan, the border region where Azerbaijan nationalists tore down border posts with Iran over the New Year.

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INSIDE

All set to exploit a gold mine of the seas

Stena, the Swedish ferry operator, thinks Sealink's cross-Channel ferry operations are a gold mine. As if to underline the point, the group intends to appoint Rudolph Agnew (left) as a director of the ferry business if it succeeds in its attempt to buy Sealink from Sea Containers. Mr Agnew, chairman of the mining investment company Consolidated Gold Fields until its takeover by Hanson last year, has been helping Stena and Tiphook, the UK container rental company, in its joint bid for the company. The nine-month struggle culminated this week in an offer to buy most of Sea Containers' ferry and container assets, which James Sherwood, Sea Containers' president, will recommend his board to accept today. Page 26

Annoying speculation

The rescue last week of West Germany's ailing Nixdorf by its larger compatriot Siemens has prompted speculation about the future of International Computers and its relationship with STC, its parent company — much to the annoyance of Arthur Walsh, STC's chairman and chief executive. Page 28

Fishing in troubled waters

Something is happening to the fish off the Canadian east coast — they are getting smaller and there are fewer of them. Seven-year-old cod in the southern Gulf of St. Lawrence, for example, now weigh an average of only about 1 kg, compared with 2.4kg in the late 1970s. And this year in general, fish stocks are estimated to be 15 to 20 per cent below the average of the last five years. In the next week or so, Canada's mounting frustration is expected to give way to determined action. Bernard Simon reports. Page 30

Cosmopolitan look at Hambros

Nobody could accuse Hambros of lacking an international outlook. Announcing yesterday that it was extending its European mergers and acquisitions network with newly-established Amsterdam Investment Bank, the UK merchant bank confirmed that Mitsui Bank, Japan's ninth largest, had acquired a stake of just under 5 per cent in it. The holding, viewed by Hambros as a friendly approach by an institution with which it has been associated for some time, adds to the UK bank's already cosmopolitan list of shareholders. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Fag Kugelfisch.	455	+	15
Hochtief	1009	+	39
Lahmeyer	870	+	20
Porsche	940	+	25
Veba	427.5	+	14
Falls			
Mannheimer	930	−	20

NEW YORK ($)

Rises			
AMR	57⅞	+	¾
Holiday	66½	+	1½
Falls			
Alcoa	69⅞	−	4
Caterpillar	55⅝	−	1⅝
IBM	99⅞	−	⅝
Westinghouse	72⅜	−	⅜

PARIS (FFr)

Rises			
Beghin-Say	745	+	14
Carrefour	3575	+	60
Fromageries	2520	+	85
Industriels	7770	+	220
Redoute	3508	+	97
Sanofi	1085	+	14

TOKYO (Yen)

Rises			
Kaga Elec.	3500	+	380
Kyowa Elec.	1430	+	200
Mitsumura	1670	+	190
Saitama Bank	922	+	97
Tokyo Elec.	3590	+	440
Yoshihara Oil	1230	+	130

New York prices as at 12.30pm.

LONDON (Pence)

Rises			
Argyll Grp.	213	+	5
Avon Rubber	530	+	15
Burmah	678	+	18
Cable & Wire.	560	+	22
Cadbury Sch.	352	+	8
[illegible] & Man	158	+	38
Grand Met.	624	+	9
Guinness	684	+	20
Lowe Grp.	433	+	18
RHM	439	+	9
Racal Telecom	353	+	11
Southern Water	152	+	5
Spring Ram	121	+	7
Standard Chart.	563	+	14
Stage Hldgs.	291	+	7
Unilever	676	+	12
Vickers	215	+	10
Wessex Water	188	+	5
Falls			
Lonrho	314½	−	6½
Lookers	133	−	14
Rockware	51	−	3
Saatchi	242	−	12
Scot. & New.	340	−	2
Wellcome	[illegible]	−	6

Japanese play a mean pin-ball

Nick Garnett and **Geoffrey Owen** report on Nippon Seiko's takeover of Britain's biggest bearings maker

THERE is a strong flavour of irony in the purchase of United Precision Industries, Britain's biggest maker of bearings, by Nippon Seiko (NSK), Japan's largest bearings producer.

The formation of Ransome Hoffman Pollard (RHP), the bearings business which eventually became UPI, was a Government-inspired move in the late 1960s to preserve a strong UK-owned bearings industry.

At that time, Britain's biggest bearings company, Ransome Marles, was about to fall under the control of SKF of Sweden. Believing the preservation of a strong British-owned bearing business was important to the national interest, the then-Labour Government through its Industrial Reorganisation Corporation engineered a rival deal, bringing the three main British bearings companies together to form RHP.

The IRC feared that if SKF was allowed to dominate the British industry, it might organise its production, research and buying policies in ways that would not be beneficial to the UK economy.

Now, more than 20 years later, the biggest chunk of the UK-owned bearings industry is passing into foreign hands. It is, however, not SKF, the world's largest producer, but the Japanese who will own more than a half of bearings manufacturing in the UK.

The significance of the deal stretches far beyond the impact on the two companies:

● It is one of the largest ever acquisitions by a Japanese group of a European business, and the biggest in the UK. NSK is paying £145m ($239.2m) in cash for UPI, as well as assuming ultimate responsibility for UPI's £58m debt. The acquisition continues the steady expansion of Japan's manufacturing presence in Europe's mechanical engineering industries.

● NSK will account for almost all of Japanese-owned companies' share of bearings manufacturing in the UK, probably between a half and two thirds of output. NSK already manufactures bearings in its own plant at Peterlee, Co Durham. With UPI, it will account for about £160m worth of bearings made in Britain. Two years ago, Minebea, a Japanese specialist producer of miniature bearings, also moved into manufacturing in the UK with the purchase of Rose Bearings from APV, the food equipment maker. Most of the rest of UK bearing manufacture is in the hands of US or continental European producers, the largest remaining UK-controlled businesses being T&N's Glacier and Vandervell, and Cooper Bearings.

● The purchase underlines the enormous chasm in size and capability that has opened up between British and Japanese companies in many industrial sectors. Privately-owned UPI had annual sales last year of £117m and an research and development budget of £1m. NSK has a market capitalisation of £3bn, sales of £1.5bn (60 per cent from bearings, the rest from machinery and automotive components) and an R&D budget of £40m. To put even that into perspective, NSK's world market share of just over 10 per cent is only half that of SKF.

● The deal is an example of the kind of money that managers can make through buy-out and sell-off deals. Forty UPI managers, most of whom will be staying with the company, will share £22m. The biggest slice goes to Mr Alan Bowkett, UPI's 39-year-old chief executive and a former BET manager. Together, these managers took a 15 per cent shareholding in UPI, a vehicle created to buy the bearings business of RHP in December 1987.

That acquisition, the largest UK management buy-out at the time, cost £73.5m, of which all but a few million was debt in the form of loans supplied by Standard Chartered Ban and Citicorp Investment Bank. Since then, UPI has sold its Chelmsford manufacturing site for £17m, a piece of land at Newark for £1.6m, bought two bearings companies in West Germany and Switzerland for £11m, and more than doubled yearly profit before interest and tax to £19.7m.

The purchase of UPI also marks a further step in the partial consolidation of the European bearings industry. A clutch of small companies have been absorbed in the past two years. UPI itself bought Neuweg Fertigung, a specialist bearing company near Stuttgart, and Waelzlager, a miniature bearing maker near Freibourg. Three European bearing makers, SKF, and FAG and Ina of West Germany, now dominate the European market, followed by SNR of France.

Both Mr Bowkett, who has signed a further three-year contract to stay as chief executive at UPI, and Mr Sadao Hirano, senior managing director for NKK in Japan, expressed satisfaction yesterday about the "fit" of the two companies. "We hope to use our full power in technology and financial resources to make this the best of combinations," Mr Hirano said.

UPI, which employs 3,800 and which will remain a separate entity within NSK, makes specialist bearings for industrial machines, machine tools, and aerospace equipment, like jet engines and air frames. Its bearings range from a few millimetres to a few feet in diameter, and the company is orientated towards batch production. Most of its sales are to the after-market, rather than original equipment manufacturers (OEMs), and it has a reasonable presence in former British colonial territories, as well as Europe.

NSK, which employs 12,000 and has factories in the US, Brazil and South Korea, makes all types of bearings. It is geared to "commodity bearings," its strength lying in OEMs and in the US and Pacific areas.

Mr Bowkett said UPI would benefit from NSK manufacturing, product and anti-friction technology, and he hoped UPI would start manufacturing some NSK bearings. NSK is one of the biggest suppliers to the Japanese car industry, and Mr Bowkett said he hoped the purchase could help UPI with sales to Japanese transplants in the UK.

NSK will double its small market share in Europe to about 5 per cent, and it gets six further manufacturing sites. This will further help it circumvent the EC anti-dumping duties of up to 15 per cent that apply to some imported bearings, though 65 per cent of all NSK bearings sold in Europe are made at Peterlee. NSK has also become anxious about a perceived over-reliance on its home market, in which it has a 35 per cent share.

Like most Japanese bearing companies, NSK has very advanced technology. It has 1,000 engineers, its plant at Fukushima is one of the world's most automated, and computer-controlled inventory systems link all its nine Japanese factories.

Both companies said the deal would be good for the UK's bearings industry and could help halt the rise in imports. Those, mainly from Continental European companies, have risen from 40 to 69 per cent over the past decade.

However, those who struggled during the 1970s to make the former RHP business internationally competitive might well be dismayed at the news of the sale to the Japanese.

Additional reporting by Robert Thomson in Tokyo

Tony Andrews

Sadao Hirano (left) and Alan Bowkett: satisfied with companies' fit

Leading bearings manufacturers 1988

Market shares by sales revenue %

Company	Europe	World
SKF (Sweden)	34	20
FAG (W.Germany)	17	8.5
Ina (W.Germany)	13	5
SNR (France)	7	2
Timken (US)	6	8.5
NTN (Japan)	3	10
Nippon Seiko (Japan)	2	10
Utd Precision Inds (UK)	2	1.5
Koyo (Japan)	2	8
Torrington (US)	2	5.5
Comecon countries	2	1.5

Source: SKF

UPI: the road to takeover

1969 Creation of Ransome Hoffmann Pollard through government-backed merger of Ransome and Marles, Hoffmann Manufacturing and Pollard. Mr William (now Sir William) Barlow appointed chief executive.
1974 Nippon Seiko (NSK) announces plans for bearings factory at Peterlee, Co. Durham.
1975 RHP acquires MTE, electrical control gear maker.
1977 Sir William Barlow leaves RHP to become chairman of Post Office.
1985 RHP acquires Muirhead, manufacturer of facsimile transmission equipment.
1987 RHP's ball bearing business sold to management and renamed United Precision Industries (UPI).
1988 RHP merges with Burgess Group, electrical equipment maker. Combined company, renamed Pilgrim House Group, subsequently bought by Williams Holdings.
1990 UPI sold to NSK.

IBM nets $1.27bn in fourth quarter

By Roderick Oram in New York

INTERNATIONAL Business Machines yesterday turned in a steeper fall in fourth-quarter profits than Wall Street expected, but company forecasts of strong order flows this year helped support its share price.

The computer giant's business outside the US continued to grow at a moderate pace last year while US operations virtually stagnated. The latter should benefit from the restructuring announced in December, said Mr John Akers, chairman.

Fourth-quarter pre-tax profits fell to $1.27bn, after the $2.4bn restructuring charge announced last month, from $3.84bn a year earlier. Net profits plunged to $591m, or $1.04, a share, some 30 cents a share less than many analysts had expected.

The year earlier net was $2.35bn, or $3.97, after a pre-tax restructuring charge of $270m. Revenues edged ahead to $20.46bn from $20bn.

Analysts had expected the fourth-quarter results to give a muddy picture of IBM's prospects because of the heavy restructuring programme. The company plans to cut 10,000 jobs in the US and consolidate some facilities to try to improve its performance.

None the less, news of the steeper-than-expected decline pushed down its stock price by as much as $1 to $99[illegible] by mid-morning. It recovered modestly after the company held a telephone conference with analysts in which it outlined its prospects for this year. By early afternoon it was up $[illegible] at $100[illegible].

It expects revenues to grow at about 7 per cent this year, in line with the computer industry as a whole.

Order rates are continuing strong across its product line particularly for many mainframe, mid-range and personal computers, executives told analysts.

During the fourth quarter, orders for these products enjoyed double digit growth rates although peripherals were somewhat lower, partly because of the transition to some new products.

But IBM gave little detail of its 1989 performance in its earnings news release.

Net profits for the full year fell to $3.76bn, or $6.47 a share, from $5.81bn, or $9.27, a year earlier. Total revenues increased to $62.7bn from $59.7bn but the growth came abroad.

Foreign revenues increased 7.6 per cent to $37bn ($34.4bn) while domestic revenues were virtually flat at $25.7bn ($25.3bn).

BBV directors fail to settle boardroom row

By Peter Bruce in Madrid

THE DEEPLY divided directors of Banco Bilbao Vizcaya, Spain's biggest commercial bank, appeared last night to have given up all hope of agreeing on a face-saving formula to divide power on the board following the death last month of one of its co-presidents, Mr Pedro Toledo.

Mr Mariano Rubio, the governor of the Bank of Spain, is almost certain to intervene in the crisis today, much to the embarrassment of BBV. The bank has been unable, after more than a month of talks, to make appointments that satisfy the directors of the two banks, Banco de Bilbao and Banco de Vizcaya, that merged to form BBV in 1988.

The BBV directors formally asked Mr Rubio to mediate late on Tuesday night "if in the next few hours the last difficulties are not resolved." BBV confirmed last night that "the affair now lies in the Bank of Spain" and said that neither the BBV board, nor the old Banco de Bilbao board members, had met formally yesterday.

In-fighting, which began hours after Mr Toledo's death in the US on December 12, has centred chiefly on the old Vizcaya board members insisting on the appointment of another of their number to become co-president alongside Mr Jose Angel Sanchez Asiain, the former Bilbao president. Mr Toledo was to have become sole chairman on Mr Asiain's retirement in 1992.

The former Bilbao members, including Mr Asiain, refused, claiming that only one president should be appointed. The fight since then has been about which bank the president should come from. Mr Asiain recently offered his resignation as president once a solution is found.

Mr Rubio is expected to impose a single presidency on the bank. The new leader will probably be the bank's current vice president Mr Emilio Ybarra, a former Bilbao executive.

Mr Alfredo Saenz Abad, the Vizcaya choice to replace Mr Toledo, is likely to be made vice-president with control of boardroom committees.

Cathay Pacific and Citic buy Dragonair

By John Elliott in Hong Kong

CATHAY PACIFIC Airways has reinforced its position as Hong Kong's main airline by joining up with the Peking-controlled China International Trust and Investment Corporation (Citic) in a HK$700m to HK$750m (US$89.6m to US$96m) takeover of a small local competitor, the loss-making Dragonair.

The move strengthens Cathay's relationships with China at a sensitive time. This could help it when Peking regains sovereignty over Hong Kong in 1997. It also gives Citic, Peking's main overseas investment arm, a stake in the colony's communications industry. Citic's Hong Kong arm already owns 12.5 per cent of Cathay and is negotiating to buy 10 to 20 per cent of Hongkong Telecom from Cable and Wireless of the UK. It has also been considering obtaining a quotation on the Hong Kong stock exchange by buying a small company called Tylfull from the local Chao family, which founded Dragonair.

Yesterday's deal ends three years of infighting between Cathay, part of the Swire group, and Dragonair, which was founded in 1985. Dragonair, an unquoted company, was controlled by Sir Yue-Kong Pao, one of Hong Kong's leading entrepreneurs, until he sold his 37.8 per cent stake two months ago.

For a price of about HK$1.22 a share, Cathay Pacific has bought 30 per cent of Dragonair for HK$294m and Swire Pacific, its parent company, has bought 5 per cent for HK$49m. Citic Hong Kong has increased a 26 per cent stake, which it bought after Sir Y.K. sold out, to 38 per cent.

The shares have been bought from the Chao family, which retains 22 per cent, and from the Peking-controlled Hongkong Macao International Investment, which held 26 per cent. HMII is owned by mainland China interests, currently through Peking's Xinhua News Agency. There has also been a new issue of 200m shares. The Cathay and Swire stakes also help to keep the airline British which was necessary to obtain air traffic rights.

TNT takes 50% stake in Murdoch books group

By Raymond Snoddy in London

TNT, the international transportation group, has taken a 50 per cent stake in Harper and Collins, the company grouping Mr Rupert Murdoch's book publishing operations in the US and the UK.

The partnership in publishing between TNT and Mr Murdoch's News Corporation involves only $10m (£6.1m) in capital on each side. However, the publishing joint venture does also carry about $1bn in debt, although the figure includes some working capital.

Apart from the publishing venture there are already several close links between TNT and News Corporation.

Mr Murdoch has a small stake in the Australian transport company and the companies jointly operate Ansett, the Australian domestic airline.

TNT has taken over the Harper and Collins stake held initially by CS First Boston, the bank that tried unsuccessfully last year to put together a new investment vehicle for Mr Murdoch — Media Partners International.

The ambitious aim of MPI was to raise as much as $5bn in equity and debt for a fund which would be managed by Mr Murdoch and would look for media acquisitions.

A central part of the original MPI plan involved putting all Mr Murdoch's main book interests — Harper & Row in the US and Collins in the UK — into the MPI venture and taking out money to use for reducing News Corp's debt.

When MPI did not succeed, Mr Murdoch set up the new publishing vehicle "to hold the books". It has now turned into one of his more unusual joint ventures.

Trelleborg holds 4.8% stake in UK group

By Clare Pearson in London

TRELLEBORG, the highly acquisitive Swedish industrial group, has built up a 4.8 per cent stake in Avon Rubber, the modestly-sized UK industrial polymers, tyres and inflatables concern. However, Trelleborg said it did not plan a full bid at present.

Avon Rubber's shares leapt 102p to 530p yesterday following the announcement. Trelleborg bought the shares through its German subsidiary Trelleborg Gummiwerke.

Avon directors were thought to have been taken completely by surprise by Trelleborg's move and to be anxiously seeking to find out its intentions. Avon said it had no comment.

Trelleborg, which reported sales of about SKr17.19bn ($2.8bn) in the first eight months of the current financial year, ranks 242 in the FT Europe 500 rankings. At last night's closing levels Avon was valued at about £110m ($183m).

Trelleborg's stake building comes against the background of a recent setback at Avon, which last month announced pre-tax profits down from £16.27m to £12.18m in the year to end-September. This largely reflected adverse conditions for its tyres division.

However, the company last summer made big repositioning moves to reduce involvement in tyres. It bought Cadillac, a US rubber and plastics company, for £38m, and sold a 70 per cent stake in its UK retail tyre distribution company to SP Tyres, the Sumitomo Rubber Industries subsidiary.

Analysts said yesterday it was easy to imagine Avon's industrial polymers and specialist tyres activities being incorporated in Trelleborg's rubber and plastics division, which includes tyres, industrial supplies and the US company Goodall Rubber.

Trelleborg's biggest recent acquisition was the purchase last September of Falconbridge, the world's second-largest nickel producer, which it carried out with Noranda, the Canadian natural resources group.

AMR plunges as fuel costs soar

By Roderick Oram in New York

AMR, parent company of American Airlines, the largest US carrier, has reported sharply lower fourth quarter profits which reflect a sharp increase in fuel prices and an inability to raise ticket prices.

Net profits for the three months ended December plunged by two-thirds to $38.9m, or 57 cents a share, from $116.7m, or $1.93, a year earlier. Revenues rose 9 per cent to $2.58bn from $2.37bn.

Thanks to strong profit growth in the first nine months, full-year net declined only 5 per cent to $454.8m, or $7.16 a share, from $476.8m, or $7.92. Revenues rose 19 per cent to $10.48bn.

As a result of "sharply higher fuel costs and only very slightly higher yields, American's fourth quarter results were very disappointing," said Mr Robert Crandall, chairman.

By the last week of the year AMR was paying 96 cents a gallon for fuel, up from 58 cents in the first week of the year. Average fuel costs for the fourth quarter were 30.2 per cent higher than a year earlier.

Fare yields edged ahead to 12.01 cents per passenger seat mile from 11.59 cents. The average yield for the full year increased 3 per cent to 12.03 cents from 11.66 cents. Cargo revenue slipped in the quarter but were up for the year.

In spite of the poor financial result, 1989 was successful for AMR in other respects, Mr Crandall said. Revenues on passenger miles increased 13.5 per cent, American opened a seventh hub in Miami, strengthened its position in the Caribbean and Europe, and increased cargo revenues.

Walter Alexander agrees to £32m Spotlaunch bid

By Nikki Tait in London

WALTER ALEXANDER, a small family-controlled Scottish industrial group, has agreed to a £32m ($53m) bid from Spotlaunch, a new company formed by venture capital specialists, Granville & Co.

They are putting up £18.2m of equity and preference capital, with the balance coming in debt facilities from Security Pacific EuroFinance.

Spotlaunch's plan is to implement a comprehensive restructuring at the group, with two of Alexander's four remaining divisions – the smaller liquid fuel distribution and DIY distribution arms – being sold off. The coachbuilding and filtration divisions would be demerged into separate companies.

The bidder has secured irrevocable acceptances from shareholders speaking for 50.9 per cent of the equity.

Alexander's first-half pre-tax profits fell from £1.32m to £91,000.

Wereldhave chief quits

By Our Financial Staff

MR ONNO HUSKEN, one of the key figures in the growth over recent years of Wereldhave, the Dutch property group, has resigned as managing director because of what the company called a "divergence of views with regard to company policy."

The resignation was effective yesterday, and by mutual consent. Officials at Wereldhave were not available for further comment, but the company said it had accepted Mr Husken's resignation "with deep regret" and thanked him for his services over the past 14 years.

Wereldhave, which in 1988 took over Peachey Properties of the UK, will now be led by Mr G.C.J. Verweij, who was previously on the managing board with Mr Husken. Mr J.C. van Spronsen will act as a delegate member of the supervisory board.

French plan to make bid for Spanish cement unit

By Peter Bruce in Madrid

CIMENTS FRANCAIS, one of France's leading cement groups, plans to launch a bid to take over all of Financiera y Minera, a medium-sized Spanish cement producer, in what would be the third entry into the Spanish cement sector in the past eight months by a big European competitor.

Lafarge Coppée, the biggest French producer, took control of Spain's second largest cement maker, Asland, last summer when the French group bought Cementia of Switzerland, Asland's biggest shareholder. Last month Aker of Norway took effective control of another big Spanish producer, Valenciana de Cementos Portland.

Ciments Français had earlier bought some 24 per cent of Financiera y Minera from its Spanish owners, Banco Central, and was initially going to make a public offering for only 10 per cent of the company. Fears that Lafarge or another European predator might launch a more generous offer appear to have prompted a full bid, however.

Financiera y Minera, based around Malaga, accounts for about 3 per cent of Spanish cement production capacity. The cash rich group reported net profits of Pta2.4bn in 1988, on sales of Pta10bn.

Analysts say foreign cement producers are being attracted to the Spanish sector because of large public construction programmes still in the pipeline. Also, the geographical spread of the Spanish market means that individual producers often have large territories almost to themselves, and are therefore more easily able to manipulate prices.

● Gotthard Bank, the medium sized Swiss bank which is 52 per cent owned by Sumitomo Bank of Japan, has bought just over 10 per cent of Gestion Integral de Inversiones (GSA), a growing Spanish asset manager.

A price was not disclosed but Gotthard in Madrid said that as it becomes easier for wealthy Spaniards to invest their personal fortunes abroad they hoped to take a share of the business through GSA.

DRINKS AND LUXURY GOODS GROUP SPARKLES AMONG SOLID FRENCH RESULTS

LVMH forecasts 45% rise in 1989 profits

By George Graham in Paris

LVMH, the French drinks and luxury goods group, is forecasting a rise in profits for 1989 of more than 45 per cent, which would take its net earnings to at least FFr2.9bn ($503m).

The group's results appear not to have suffered immediate damage from the drawn out battle between its chairman, Mr Bernard Arnault, and the head of its Louis Vuitton luggage subsidiary, Mr Henry Racamier, even if longer term strategic decisions may not be receiving full attention.

With sales up by 20 per cent to FFr19.66bn, LVMH still maintained the same level of profits growth as in 1988, when earnings rose by 49 per cent.

The company said that at constant exchange rates, sales growth would have been 17.2 per cent, in line with forecasts.

Sales growth was strong in *the luggage, cognac and* perfumes divisions, although somewhat slower in the second *half of the year. Champagne* sales progressed more modestly to FFr5.17bn, with LVMH's Moët et Chandon and *Mercier brands under pressure* to meet demand.

Bernard Arnault: in battle with head of a subsidiary

In volume, champagne sales rose by *only 1 per cent*, with the remainder of the increase – 8.6 per cent on the same consolidation basis as in 1988 – accounted for by higher prices.

Cognac and spirits sales rose by 24 per cent to 5.07bn, with an 8 per cent gain in volume. Sales of higher-margin aged qualities of cognac rose strongly.

Luggage and accessory sales in the Louis Vuitton division rose by 33 per cent to FFr4.7bn, with volumes up 28 per cent. Sales in the second half were slowed slightly by problems with the start-up of a new dispatching centre at Cergy, near Paris, and difficulties in obtaining air freight space to catch up on the delay.

Sales of perfumes and beauty products rose by 20 per cent to FFr4.48bn. Growth was evenly spread between Parfums Christian Dior, which launched its men's fragrance Fahrenheit in Asia and North America last year, Parfums Givenchy, which launched a line of make-up and skincare products, and Roc, the beauty product brand.

On the drinks side, LVMH has now put into place its joint distribution ventures with Guinness, the UK drinks group which in partnership with Mr Arnault owns a 43.5 per cent stake in the company.

These joint ventures, which allow the joint distribution of *Hennessy cognac, Moët* champagne, Gordon's gin and Johnnie Walker whisky, now account for around 20 per cent of the profits of Guinness's United Distillers arm, and an even higher proportion of Moët-Hennessy.

"The major markets for our major brands are now covered – the Far East, the US and a few European countries. I think in anyone's language the link has been a considerable success," said Mr Anthony Greener, managing director of Guinness and an executive board member of LVMH.

Increased occupancy boosts Club Med 21%

By George Graham

CLUB MEDITERRANEE, the French holiday operator, has reported a 21 per cent rise in net profits for the year ended October 31, with total net earnings, excluding minorities, of FFr364.9m ($63.4m).

Mr Gilbert Trigano, chairman, said the improvement stemmed partly from a turnround in its US subsidiary, Club Med Inc, along with higher rates of occupation.

"It was fundamentally a year of management and operation, with no financial profits and no spectacular coups," he said.

Group sales rose by 19 per cent to FFr7.59bn, while Club Med Inc, in which the French parent company holds a 73.7 per cent stake, improved its net profits dramatically to $21.1m from $8.8m in 1987/88, on sales 14 per cent higher at $468.8m.

Club Med increased its capacity only slightly, with the number of beds available in its holiday villages rising by less than 1 per cent to 87,260. However, occupancy rose to 71 per cent, from 69.5 per cent the year before. This year it expects to add about 3,000 beds.

Mr Trigano said bookings so far this year showed an increase of around 7 per cent. Gains averaging 12 or 13 per cent in most holiday villages were offset by a downturn in a dozen ski resorts, where the lack of snow is deterring holi*day-makers. He said Club Med* was too dependent on the weather, transport strikes and exchange rates to extrapolate any profit forecast from these figures.

The French group is hoping to develop its activities in eastern Europe, with projects under discussion in Soviet Georgia and near Moscow, as well as in Hungary and Czechoslovakia. Club Med has also taken over the management of a hotel at Borovetz in Bulgaria.

Mr Trigano warned, however, there were some difficulties of mentality. Club Med is known, for example, for its vast buffets where holidaymakers can eat as much as they want, *whereas the Bulgarian* staff is more used to handing out carefully measured portions.

Mr Trigano also confirmed market speculation that Accor, the French hotel and restaurant chain, had acquired a 2 per cent stake in Club Med at the end of last year.

Sodexho sales rise puts profits at FFr128m

SODEXHO, the French catering company which has exchanged share stakes with the Wagons-Lits travel group, announced it made FFr128.9m ($22m) net profits in the year to 31 August, 1989, an increase of 15 per cent on the previous year, writes George Graham.

Mr Pierre Bellon, chairman, said sales had risen 14 per cent to FFr8.07bn.

He forecast earnings per share would at least remain stable in the year 1989/90, in spite of a FFr400m capital increase. This would take net profits to at least FFr160m, he added.

Sodexho specialises in catering services for companies and local authorities, which now account for nearly 80 per cent of its turnover.

However, it is also the world leader in self-contained work camps and number two in meal vouchers, behind another French group, Accor.

The company last year took a 19 per cent stake in Wagons-Lits for FFr550m, with Mr Bellon becoming joint chief executive of the company.

Wagons-Lits has, in turn, taken 29 per cent of a holding company controlled by Mr Bellon which owns 58 per cent of Sodexho.

The two groups have now merged their catering activities, which has created a group *with total sales of FFr12bn.*

The group will rank third in the world, behind the north American companies Marriott and ARA Services.

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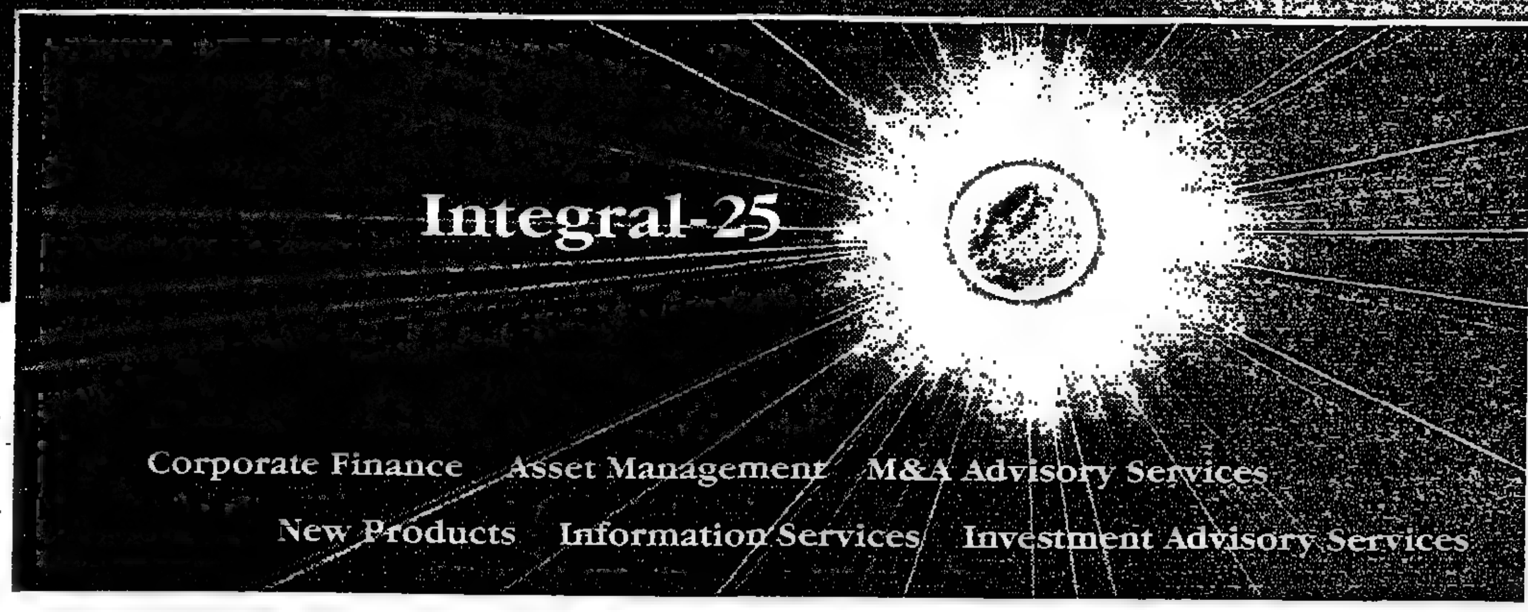

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INTERNATIONAL COMPANIES AND FINANCE

Air Liberté seeks to make regular scheduled flights

By Paul Abrahams in Paris

AIR LIBERTE, the French charter airline, has asked for permission to become a regular airline.

It has also demanded 10 per cent of air slots presently held by Air France, UTA and Air Inter, in the interests of competition.

The move comes the week after Air France agreed to take over UTA, the only significant privately-owned French air company. That deal also gave Air France control of Air Inter, the French domestic airline, and near domination of the French domestic market.

The UTA takeover is likely to be investigated by the European Commission in Brussels. If it decides to allow the purchase, one option available to the commission is to demand Air France sheds some of its routes. Air Liberté hopes to pick up some or all of these routes.

The commission recognises the need for some consolidation in the European airline industry if it is to compete with companies in the US and Asia. However, it is becoming increasingly concerned that large, established carriers will squeeze out competition from smaller companies before the industry is liberalised in 1992.

"What the French government risks doing in allowing the Air France-UTA takeover is the creation of an organisation which is the equivalent of Aeroflot and Intourist rolled into one," said Mr Lotfi Belhassine, managing director of Air Liberté whose largest shareholder is Groupe Aquarius, the transport and tourism concern.

Mr Belhassine claimed yesterday the UTA deal would lead to reduced competition in France and an increase in air fares. Air France would be forced to increase wages at both UTA and Air Inter to meet those in its own organisation, at a time when its own cost structure was already heavy. These costs would be passed on to customers.

In the event that the government refused to provide competition to Air France, Air Liberté would appeal to both the French courts and Brussels, said Mr Belhassine. He added he expected the French Ministry of Transport to provide a reply within a month.

Air Liberté, which was founded in 1987, has four aircraft and is due to receive a further four this year. It expects to have 25 aircraft by the end of 1993. Shareholders include French banks.

Westinghouse increases operating income 12%

By Anatole Kaletsky in New York

WESTINGHOUSE, Pittsburgh-based electrical and services conglomerate, reported a 12 per cent gain in operating income in the fourth quarter, maintaining the rate of advance achieved throughout 1989.

The results were in line with expectations and Westinghouse shares remained unchanged at $72¾ shortly after the announcement.

Westinghouse made net profits of $270m or $1.85 a share in the fourth quarter, 30 per cent up on the $208m or $1.43 a year before.

Part of this advance was due to extraordinary gains and losses connected with asset *disposals and restructuring* charges.

In the latest quarter, a $123m restructuring charge largely offset a $131m gain on the disposal of the company's electricity transmission and distribution business. In the fourth quarter of 1988 an $60m charge was not offset by any one-time benefits.

At the operating level, Westinghouse made $424m in the latest quarter, up 11.9 per cent on the $379m reported last year. The company's total revenues of $3.65bn were unchanged.

For 1989 as a whole, the company reported net profits of $922m or $6.33 a share, up 12 per cent on $823m or $5.66 in 1988. Annual operating income was 12.9 per cent higher at $1.34bn, while total revenues advanced by 3 per cent to $12.84bn.

Commenting on the company's business segments, Mr John Marous, chairman, said financial service revenues and profits were both up sharply in the last quarter. Broadcasting profits also rose, although revenues declined. Energy and utility systems profits and revenues were even, compared with the previous year.

Industrial group profits were up, while electronic systems and commercial group profits were unchanged.

Interest charges hit Rockwell

ROCKWELL International, the US defence and electronics company, saw net income decline in the first quarter, agencies report. Net income fell to $145.8m from $160m and earnings per share to 53 cents, from 58 cents. Sales were static at $2.9bn.

The first quarter was adversely affected by lower interest income and higher interest expenses, which together reduced earnings by 5 cents a share, compared with the first quarter of last year, the company said.

"Significantly lower cash balances related to a substantial December 1988 income tax payment primarily affected interest income and expense," Rockwell said.

Mr Donald Beall, chairman and chief executive, said he expected 1990 per share earnings of about $2.47, flat compared with 1989 share earnings of $2.87 after a 40 cent gain is excluded.

At the operating level, the company recorded a 27 per cent increase over last year in its first-quarter earnings for electronics, but aerospace results were flat, and other segments declined.

US computers suffer memory loss

Louise Kehoe explains why the Japanese dominate the chip world

US Memories is dead, but the problems it was designed to address are still very much alive.

The memory chip manufacturing consortium was supposed to solve the difficulties of US industrial competitiveness.

US computer and electronics equipment manufacturers are increasingly dependent upon Japanese suppliers – many of which are their main competitors – for critical components.

The death of the collaborative industry effort to rebuild the US memory chip business has refocussed attention on the *vulnerability of US semiconductor* industry in the face of Japanese competition. It has also awakened fears that the much larger US computer industry may be *at risk*.

Some see the failure of US Memories as the beginning of the end of US leadership in the computer market. "What we are seeing *is the hollowing of* the US computer industry," said Mr Wilfred Corrigan, chairman of US Memories and chairman of LSI Logic, a *leading US semiconductor* manufacturer.

"American computers have become the giftboxes in which Japanese technology is delivered," he charged.

While the computers may carry US labels, they contain mostly Japanese components, he said.

US Memories was designed to reduce the dependency of US computer and electronics equipment manufacturers upon Japanese dynamic random access memory (d-ram) suppliers. They control 75 per cent of the $6bn world market for these essential data storage chips.

W.J. Sanders: 'remained committed to the end'

The plan for the collaborative venture, to be jointly funded by a group of semiconductor and computer makers, was conceived in the midst of a serious d-ram shortage at a series of industry "summit" meetings of executives.

The initiative was praised by all sectors of industry, from Congress and from senior members of the Bush Administration when it was unveiled last June. It was hailed as "the American way" by Mr Robert Mosbacher, Commerce Secretary, *while Mr Robert Noyce*, president of Sematech and the co-inventor of the semiconductor chip, said it demonstrated "the rebirth of optimism that *US industry can be competitive* in the future."

During the past six months, however, the d-ram shortage has disappeared and prices have plummeted. Most of the computer companies that originally called for the US semiconductor industry to increase d-ram production have since lost interest in the issue and refused to provide financial support for US Memories.

Among the original backers of US Memories – IBM, Digital Equipment, Hewlett-Packard, Intel, Advanced Micro Devices, National Semiconductor and LSI Logic – optimism has been replaced by bitter disappointment.

"We are disappointed we have not yet learned how to work together for the mutual benefit of the industry," said Mr W.J. Sanders III, chairman of Advanced Micro Devices, one of the semiconductor manufacturers which remained "committed to the end."

Similarly, IBM expressed its regrets. US Memories was something that "needed to be done – to expand domestic sources of d-rams and to strengthen the infrastructure that supports the US computer industry" the company said.

There were inevitably recriminations. Blame for the failure of US Memories was placed at the feet of US computer companies who decided not to invest in US Memories.

"We believe the systems companies who failed to adequately support this venture have missed an outstanding opportunity to work with the semiconductor industry to *solve systems* industry problems," said Mr Robert Palmer, vice president of Digital Equipment.

Computer makers were all looking to one another to jump in first; to make the financial commitment necessary to make US Memories happen, *industry* executives said. Among those that came close to taking the plunge were AT&T, Compaq Computer, NCR and Tandem Computers. In the end, however, none of them signed on the dotted line.

"We had an opportunity to send a strong signal to the Japanese that we were going to reclaim a portion of the d-ram market.

"Instead we have sent the wrong signal," said Mr Sanford Kane, a former senior IBM executive, who, as its president and sole employee over the past six months, led the effort to establish US Memories

Others warned the chip shortage that prompted computer makers to address the d-ram supply issue was likely to recur within the next 18 months when leading Japanese d-ram makers switch production from the current generation of one megabit d-ram chips to four megabit devices.

Even as US Memories was put to rest, the search for an alternative solution began.

"The industry has an obligation to keep working on answers," said Mr Kane.

"We need to take what we've learned from US Memories and apply it to new solutions.

"This is a sad day for the US electronics industry, but it's not over yet," said Mr Ralph Thomson, an industry consultant with close ties to the US Memories venture.

"Although d-ram availability and pricing is not currently a problem, our almost total dependence for this vital building block of both commercial and military electronics rests with foreign sources," said Mr Richard Iverson, president of the American Electronics Association, a leading trade group. "I feel certain US d-ram re-entry efforts will not end here."

European companies pursue Casa once more

By Tom Burns in Madrid

BOOSTED BY *success on key contracts*, Casa, the Spanish aircraft manufacturer, is attracting renewed inquiries from European aerospace companies seeking to buy equity in the company.

Casa was formerly owned by Northrop of the US and was acquired last year by INI, the Spanish *state holding conglomerate*.

West Germany's Dornier, controlled by Daimler-Benz, expressed interest in Northrop's 13 per cent Casa *stake* last year, before INI's purchase of the equity, and since the beginning of this year it has renewed its bid for the shareholding.

The West German giant already has a foot in the Spanish company by way of Messerschmitt-Bölkow-Blohm, which owns 11 per cent of Casa.

A second contender for the Spanish aircraft manufacturer's equity is France's Aerospatiale, which likewise made an initial approach at the time of Northrop's withdrawal.

Mr Javier Alvarez Vara, the Casa chairman, said in an interview that INI, which owns 89 per cent of the company, will be reviewing potential foreign partners once Casa returns to profit.

He said he was confident that the company, a partner in both the Airbus and the European fighter aircraft programme, would break even in the course of this year, after strongly reducing losses in the past two years.

INI, which has taken on the main burden of a three-year viability plan to restore Casa's fortunes, is understood to be willing to reduce its stake and to allow up to 25 per cent foreign ownership of the company.

Mr Alvarez Vara said foreign interest in Casa had sharpened on the heels of notable sales breakthroughs for the company's main product, a versatile light transport plane called the CN-235.

Casa sold eight CN-235s to the French Air Force at the end of last year in a $100m order and on Monday it secured its most important deal to date with a *preliminary contract* to supply the Turkish military with 52 of the planes.

Mr Alvarez Vara said he expected sustained orders for the CN-235 because the aircraft had carved a niche in the international market.

Two US banks register steady growth

By Roderick Oram in New York

TWO LEADING US banks, Security Pacific and Manufacturers Hanover, announced sharply improved operating results for the fourth quarter.

Los Angeles-based Security Pacific said it had benefited from "very strong earnings growth" in California and Washington state and in its financial services operations which more than offset continuing losses in its Arizona operations.

Net profits for the three months ended December rose to $191.7m or $1.59 a share, from $169.5m or $1.46, a year earlier. Full-year net was $740.6m or $6.26 a share, compared with $638.9m or $5.59.

Its return on assets for the year improved to 0.9 per cent from 0.84 per cent a year earlier, while assets increased 8 per cent to $83.9bn from $77.4bn a year earlier.

The improvement came despite a loss for the latest year of $142m in Arizona reflecting higher real estate-related loan losses in the state. Overall, domestic loans in total increased by 17 per cent in the year.

The company added $210.2m to its loan loss reserves in the fourth quarter, an increase of $101.9m from the previous year. It takes the reserve to $1.16bn. Actual loan losses in the quarter were $172.4m, up from $74.3m a year earlier.

Manufacturers Hanover turned in a fourth-quarter net profit of $62m or 82 cents a share, after a previously *reported after-tax charge* of $35m for a fraud at its Geneva, Switzerland branch. On an operating basis, net profits were $93m or $1.31 a share.

The year-earlier fourth-quarter figure was $210m or $4 a share, including a $148m after tax past-due interest payment from Brazil. On an operating basis, net profit was $78m or $1.37 a share.

For the full year it reported a net loss of $518m or $10.21 a share, reflecting a $1.1bn to loan loss reserves. On an operating basis, net profit was $383m, or $6.32 a share. The previous year's net profit was $952m or $18.27 a share. Excluding asset sales and other special factors the net profit was $352m or $6.25 a share.

The company said it had made "substantial progress" in a number of areas during the year including regional banking, worldwide trading and corporate finance.

Assets at the year-end had slipped to $69.7bn from $73.75bn a year earlier.

Schwab reports sharply higher profit for year

By Janet Bush in New York

CHARLES SCHWAB, the largest US discount broker, yesterday reported sharply higher net income in 1989, reflecting more active trading by retail investors than in the depressed post-crash conditions of 1988.

The company reported net income of $18.9m or 88 cents a share, compared with $7.4m or 27 cents a share in 1988. Although this represented a *significant improvement from* 1988, net income still remained substantially below the $24.4m achieved in 1987. It was a bumper year for retail investment until the stock market *crash* on October 19.

"We are generally pleased with this performance," said Mr Charles Schwab, chairman. "We plan to resume our branch expansion programme in 1990."

Revenues for 1989 totalled $553.2m, a jump of 41 per cent from 1988.

This surge was primarily due to higher commission revenue, which rose 24 per cent compared with 1988 to $253.9m. Interest revenue net of interest expense was $65.6m for 1989, a rise of 55 per cent over 1988.

Trading activity by customers increased to 11,900 average daily trades last year from 10,000 in 1988.

In the final quarter, net income was $5.1m on revenues of $149.7m, compared with $600,000 and $102.2m in the *fourth quarter* of 1988.

Mr Schwab said the company had added 273,000 new accounts in 1989 and equity in client accounts had grown by *more than 40 per cent to a* record $25.3bn.

US railroad out of the red

By Alan Friedman

BURLINGTON NORTHERN, the west coast railroad company, has unveiled a $102m leap out of loss for the fourth quarter of last year. Net income for the period was $80.9m, or $1.06 a share, compared with a $21.1m loss in the last quarter of 1988.

The last quarter of 1988 included a $108.5m extraordinary loss relating to the settlement of an anti-trust action.

On a comparable basis *Burlington reported a net loss for* the fourth quarter of 1988 of $65.5m or 88 cents a share.

Net income for the whole of 1989 – $242.9m against *$155.8m in 1988 – reflected* lower debt servicing charges.

Good year for Banco Bradesco

By John Barham in Sao Paulo

BANCO Bradesco, Brazil's largest private sector bank, announced a US$347m consolidated net profit for 1989, 74 per cent more in real terms than the previous year. In addition the bank's assets grew 32 per cent to $19.06bn.

Its earnings growth indicates *that 1989 was yet another* excellent year for all Brazil's private banks. However, Banco do Brasil, the government-owned financial conglomerate, *is expected to report a significant* decline in profits.

The sector's growth is due mainly to the high level of interest rates paid on government paper. Inflation of 1,765 in 1989 curtailed private sector lending.

Banco Bradesco says its non-government loan book grew 8 per cent in real terms, *while its money market* operations expanded 27 per cent to $2.6bn.

The bank's clients also increased their lending to the *government through money* market accounts, which offer a hedge against inflation. The accounts are used to buy government paper, which yields nominal rates well above the inflation rate.

Bradesco's funding on the open market rose 190 per cent in real terms to $9bn. Like many banks, Bradesco has bought heavily into industrial companies to spread its risks and hedge against inflation.

It now owns significant stakes in 13 Brazilian and multinational *manufacturing* companies.

Advanced Micro stages rally

By Louise Kehoe in San Francisco

ADVANCED MICRO Devices, the US semiconductor manufacturer, reported significantly improved results for 1989, despite suffering more than its share of natural and man-made disasters.

During the past year, *operations at the company's* assembly plants in Manila were disrupted by two typhoons and by the attempted coup during which a plane carrying its AMD chips was diverted to a distant airport and temporarily lost. In California, the company's chip production operations were shut down for two days by the October earthquake.

Fourth-quarter sales rose 15 per cent to $285.3m, up from $248.0m. Net income was $11.8m or 11 cents a share, reversing losses of $34.1m in the same quarter a year ago when the company took restructuring charges of $17.3m. The fiscal fourth quarter of 1989 was a 14-week period, while the fourth quarter of 1988 had 13 weeks.

Net income for the full year was $46.1m or 44 cents a share, up from $19.3m or 11 cents while sales were $1.1bn, down from $1.13bn previously.

"I believe 1990 will be a year of slow growth for the semiconductor industry as a whole," said Mr W.J. Sanders III, AMD chairman. "Slow industry growth coupled with anticipated revenues from new products give AMD an opportunity to continue to outperform our competitors over the near term."

AMP lifted by Pearl takeover

By Chris Sherwell in Sydney

THE AUSTRALIAN Mutual Provident (AMP) Society, the country's largest insurance group and institutional investor, had a record A$55bn (US$43.3bn) in assets under management at the end of 1989, double the previous year's level.

The figure, released yesterday, confirmed the impact of the group's acquisition of the Pearl assurance group in the UK, which has added an estimated A$14bn to the total and lifted the AMP's size even further above its traditional competitor, the National Mutual.

Mr Kerry Roberts, chief general manager for the AMP's Australia division, who announced the figures at the annual conferences of AMP sales agents, also reported better than usual growth in sales at home.

Total new premiums and contributions for life insurance, superannuation and corporate business amounted to A$3.2bn, an increase of 35.8 per cent. Another A$2.5bn came in the form of renewal premiums for in-force business.

Mr Roberts described the results as "quite outstanding", and forecast that the group's end-of-year accounts would show that 1989 was "a particularly good year" *in other areas* as well.

Prospects for 1990, he declared, were excellent.

The AMP's investment performance has *nevertheless* been questioned recently because of its investments in entrepreneurial groups like Qintex and Westmex.

The losses it suffered are small by its standards, but the group has decided to keep away from the entrepreneurial sector.

As for the £1.25bn (US$2.07bn) Pearl acquisition, this represented a major step in the AMP's strategy of expanding internationally in a bid to become a significant force in the world life assurance market. The strategy was decided on in 1988 after the group saw limited prospects of improving on its dominant 30 per cent share of domestic life assurance.

Genentech surges into the black

By Alan Friedman

GENENTECH, the *leading US* biotechnology company, yesterday unveiled a fourth-quarter net profit of $15.5m, or 18 cents per share, a dramatic swing from the *$15.4m loss* recorded in the last quarter of 1988. The 1988 quarterly loss had been due largely to a write-down on out-of-date inventories.

The latest quarter's net profit was struck on $111.4m of sales, up from $89.5m in the previous year. Sales were helped especially by a 63 per cent rise in revenues from Activase, the company's genetically engineered heart attack drug that accounted for more than half of company revenues.

Genentech's other big seller – a human growth hormone called Protropin – recorded a more modest rise in sales from $31.7m to $34.3m.

For the whole of 1989 Genentech achieved a more than doubled net profit of $43.9m, or 51 cents a share, on record sales of $400.5m, up by 20 per cent on 1988 returns.

The company's spending on research and development, an essential factor in the biotechnology field, was increased from $132.7m to $156.9m last year.

The rise was due in part to costs associated with moving three new potential products into human clinical trials; those products are Argatroban, a blood-cut inhibiting agent; an insulin-like growth agent; and a second generation potential AIDs treatment product.

Global luxury spirits take sales from local rivals

By Philip Rawstorne

INTERNATIONAL luxury brands of spirits are gaining ground around the world at the expense of lower margin, local competitors.

Impact International, the industry newsletter and research organisation, suggests the 1990s will see further consolidation, with fewer *brands accounting for greater* volume.

"A spirit company's health will increasingly be determined by its arsenal of global brands," Impact says in a report on the world spirits market last year.

Grand Metropolitan, the UK food and drinks group, leads the field of *multinational, multibrand* contenders in the market. It has 11 brands in Impact's top 100, accounting last year for 15 per cent of the total volume of 268.4m *nine-litre* cases, and with a growth rate of 6.8 per cent.

GrandMet's IDV owns four brands in the top 25 – *Smirnoff and* Popov *vodkas*, *J&B* Scotch whisky, and Bailey's liqueur – and is US agent for a fifth, Absolut vodka.

Guinness's United Distillers subsidiary has eight brands in the top 100, two fewer than Canada's Seagram, but selling 8m cases more.

United Distillers' portfolio, with a growth rate last year of 5.1 per cent, is focused on premium international brands. Four of them – Gordon's gin, Johnnie Walker Red, Bell's and Dewar's Scotch – are in the top 25, with a fifth, Johnnie Walker Black deluxe Scotch, in 26th place.

Seagram has four brands in the top 50: 7 Crown American whiskey, Seagram's gin, VO *Canadian whiskey, and* Chivas Regal Scotch. Of those, Chivas is the only true international brand, though it is supported by Martell cognac, Captain Morgan rum, and Passport Scotch further down Impact's list.

Allied Lyons's recent acquisition of James Burrough now *gives the UK drinks and retailing* group eight brands in the top 100, led by Ballantine's Scotch at number seven. The brands – which grew at 2.8 per cent last year – *include* Canadian Club, Kahlua liqueur, Beefeater gin, Teacher's and Courvoisier.

Bacardi sells the third largest *volume, more than either* Seagram or Allied Lyons, but its international operations are centred on its eponymous rum.

The other industry giants, Suntory, Pernod Ricard, *Jim* Beam, Domecq and Brown-Forman, are still primarily domestic market companies.

Bacardi dominates the rum *market*, selling 22m cases *last* year while the five other rums ranked in the top 100 sold only 4.1m cases between them.

Smirnoff's supremacy remains unchallenged in the vodka sector. Sales were up last year by 5 per cent to 14.8m cases. But other brands are enjoying rapid growth. Absolut grew 24 per cent to 3.6m cases and, according to Impact, is set to overtake Popov, largely unknown outside the US, for *second place*.

Scotch remains the most popular spirit, growing 4.5 per cent last year to 43.9m cases. Johnnie Walker Red led the field with growth of 8 per cent to 6.8m cases. William Grant's showed the biggest surge in sales, up 15 per cent to 2.4m cases.

Brandy, the second largest category in Impact's top 100, grew by 6.4 per cent. It is a much more fragmented sector, with 21 brands listed compared *to 14 for Scotch*. *Hennessy*, Rémy and Courvoisier cognacs all showed 10 per cent increases, but the world's best-selling brandy is Pedro Domecq's Presidente, produced in Mexico and selling 4.3m cases.

Though gin is often viewed as a category in decline, its volume increased by 4.2 per cent last year. Gordon's sales increased by 6.4 per cent, an extra 500,000 cases.

One of the fastest-rising *stars is Bailey's, up 13.8 per* cent to 3.3m cases, and showing every indication of overtaking Dekuypers, the world's best-selling liqueur.

Impact's statistics reveal great volatility in the Japanese market following the abolition last year of taxation by alcoholic strength. Sales of higher-strength domestic spirits have rocketed, making Suntory Kakubin whisky the fastest growing brand in the world, up 177.8 per cent to 2.5m cases. Lower strength brands, badly hit by price rises, have gone into steep decline. Suntory Red's volume fell 47 per cent from 4.4m cases to 2.3m.

Impact International, 387 Park Avenue South, New York, NY10016

THE 15 FASTEST-GROWING SPIRITS BRANDS
(Millions of nine-litre case shipments)

	Brand	Company	Type	1988	1989e	estimated % change
1	Suntory Kakubin	Suntory	Japanese whisky	0.9	2.5	177.8
2	Suntory Royal	Suntory	Japanese whisky	0.7	1.5	114.3
3	Dreher	Heublein (IDV/Grandmet)	Brandy	1.5	2.4	60.0
4	Absolut	V&S Vin & Spirit	Vodka	2.9	3.6	24.9
5	Gordons Vodka	United Distillers (Guinness)	Vodka	1.9	2.2	17.9
6	Stolichnaya	V/O Sojuzplodoimport	Vodka	1.3	1.5	18.9
7	Grants	William Grant & Sons	Scotch whisky	2.1	2.4	15.0
8	Baileys	IDV(Grandmet)	Liqueur	2.9	3.3	13.6
9	Early Times	Brown-Forman	Kentucky whiskey	1.4	1.6	12.0
10	Suntory	Suntory	Brandy Vsop	1.8	2.0	11.1
11	Jose Cuervo	Tequila Cuervo (Group Cuervo)	Tequila	3.5	3.8	10.3
12	Rémy Martin	Rémy Martin	Cognac	1.6	1.7	10.1
13	Courvoisier	HWAV (Allied-Lyons)	Cognac	1.4	1.5	10.0
14	Hennessy	Moët-Hennessy (LVMH)	Cognac	2.6	2.8	10.0
15	Gran Reserva	Santa Teresa	Rum	1.1	1.2	9.5
	TOTAL TOP 15			27.4	34.1	24.2

Excludes local traditional spirits and communist countries.

Source: Impact International.

Domtex to buy yarn producer

By Robert Gibbens in Montreal

DOMINION Textile, the only surviving integrated group in Canada, plans to take over Dionne Textiles, a Quebec yarn producer, in a deal worth about C$20m (US$17.2m).

Domtex will buy the 69 per cent interest held by the Dionne family for stock and give public shareholders a choice of cash or stock by February 28 next.

INTERNATIONAL COMPANIES AND FINANCE

Japanese take care not to step on US toes

Robert Thomson on Mitsubishi's cautious representation of its LBO offer for Aristech

MITSUBISHI Corporation, Japan's largest trading house, is painfully aware that its $850m leveraged buy-out offer for Aristech Chemical Corporation, a mid-sized chemical company and a former division of the USX group, could stir concerns in the US about Japanese acquisitions.

The purchase is being done at the request of and in conjunction with Aristech management, but the Japanese company has memories of the controversy caused just over two months ago when Mitsubishi Estate, a member of the same family, bought a majority share of the Rockefeller Group.

Mitsubishi, also conscious that LBOs have image problems in Japan, emphasised that the purchase, at $26 per share, would provide a substantial chemical production base in the US to complement the company's present chemicals activities, and stressed that it was not interested in selling off assets or issuing junk bonds.

Aristech's management and Mitsubishi intend to establish a new company for the buy-out with a capital of $200m, of which Mitsubishi will provide 85 per cent. A total of $650m will be borrowed from a syndicate of Japanese banks lead-managed by Mitsubishi Bank and Mitsubishi Trust and Banking Corporation, also members of the large Mitsubishi family.

Mr Shuin Maeda, assistant general manager of Mitsubishi Corporation's corporate finance department, said the acquisition was a "strategic investment" and should be seen as a "partnership between Japanese and American companies."

He said that "one or two" Mitsubishi officials would join the company's management, but it was not necessary to send many of "our guys" there as the Japanese company had faith in the present executives.

This was "the first large LBO" for Mitsubishi, said Mr Maeda. "When some people think of LBOs, they think of junk bonds or high yield debt, but we are not doing that sort of thing," he said. The company describes the deal as "fully financed."

Aristech, formerly the chemical division of USX, became a public company in 1986, and produces basic chemicals, phenol, alcohol and synthetic resins, among others. It had sales of an estimated $1bn in 1989.

The figure is dwarfed by the transaction volume of Mitsubishi Corporation, which, for the year to last March, was some $118bn. The company is the centre of what is called a *keiretsu*, a group of companies with strategic and congenial cross holdings and enormous influence in Japanese society.

ARISTECH CHEMICAL

	Sales $m	Net profit $m
1985	789	12.7
1986	751	43.8
1987	919	89.7
1988	1,068	188.2
1989	996	82.1

For example, Mitsubishi Corporation is 5.5 per cent owned by Mitsubishi Trust and 4.9 per cent by Mitsubishi Bank, which respectively own 7.3 per cent and 4.1 per cent of Mitsubishi Estate. Mitsubishi Corporation and Mitsubishi Bank each have 3.1 per cent stakes in Mitsubishi Trust, while Mitsubishi Estate has a 1.8 per cent stake.

US occupation forces thought they had disbanded the Mitsubishi *zaibatsu* (industrial combine) after the Second World War, but the separated companies gradually renewed their links. There was a large merger of Mitsubishi companies in 1954, followed by the reformation in 1964 of Mitsubishi Heavy Industries, the shipbuilding, aerospace and all-round heavy industry company.

Mr Takuya Shitara, general manager of Mitsubishi's basic chemical division, does not expect much opposition to the deal in the US, although he conceded that the connection with Mitsubishi Estate and the controversial Rockefeller deal might be disconcerting.

"It could become a topic of talk because we are in the same Mitsubishi group, but the chemical industry's mission is the stable supply of products to users," he said.

Mitsubishi Corporation's chemicals division produced about 12.9 per cent of the company's gross profit last financial year and is divided into three categories - commodity chemicals, plastics and speciality and high-performance chemicals.

Fuels and metals contributed about 31.6 per cent of gross profit last year, machinery 27.5 per cent, food 13 per cent and others 15 per cent.

Aristech and Mitsubishi have apparently been in regular contact for the past three years, but an attempted takeover of Aristech in early 1989 prompted the company's management to approach Mitsubishi with a proposal for an LBO three months ago.

Mr Maeda said that $26 per share should be enough to consummate the deal and that "there is no possibility of the board rejecting the proposal." He said that Mitsubishi's international trading network would provide an opportunity for expanded sales of Aristech products.

"This is a strategic alliance. We were invited by their management to strengthen their business," Mr Maeda said.

An official at Japan's Ministry of International Trade and Industry (Miti) said that the deal might not generate controversy because a medium-sized chemical company could not be regarded as part of the US "soul," as had been claimed with the Sony purchase of Columbia Pictures and the acquisition of the Rockefeller stake.

Singapore issue oversubscribed

SINGAPORE'S first new listing of the year, Kim Eng Holdings, attracted a record oversubscription of 783 times, Reuter reports.

More than 244,000 investors applied for 35.3bn shares, according to Development Bank of Singapore (DBS), lead manager. Application money amounted to more than S$22.9bn (US$12.2bn).

The investment holding and stockbroking company had offered 50m shares at 65 cents. The shares were trading in the unofficial market at S$1.80.

MIM increases profits 73% to A$119.9m

By Chris Sherwell in Sydney

HIGHER production and sales coupled with increased metal prices contributed to a surge in interim profits reported yesterday by MIM Holdings, the Brisbane-based international mining group.

Figures for the 24 weeks to December 17 showed a net profit from operations of A$119.9m (US$95.2m), up 73 per cent from A$69.2m in the corresponding period of the previous year.

The sale of assets to MIM's Highlands Gold subsidiary in Papua New Guinea brought in a further A$67.6m of abnormal profits to give an overall earnings figure of A$187.5m. Foreign exchange losses in turn cut this back to A$164.2m.

The group benefited from firm copper, lead and zinc prices, although zinc and copper prices weakened towards the end of the period. Sales volumes improved for copper and gold, but were lower for silver, lead and zinc.

Sales revenues were A$847m, up from A$797m despite a reduced share of coal revenues caused by the sale of a 25 per cent share of a big project to Agip of Italy. Other revenues lifted the overall figure to A$1.09bn, up 28.5 per cent.

The group's balance sheet strengthened further as net indebtedness (borrowings less cash on hand) was reduced to A$888m from A$1.09bn. Net interest expenses were less than half those in the same period the previous year and gearing (long-term debt as a percentage of debt and equity) was cut to 29 per cent.

The group reported that the Porgera gold project in Papua New Guinea, which promises to be a world-ranking mine, was making good progress. Porgera is 30 per cent owned by Highlands Gold, which is in turn owned 85 per cent by MIM following a share issue last year.

MIM's weak spot remains coal, but its pre-tax loss of A$14m on coal operations is lower than the A$28m reported in the same period last year.

Impala and Lonrho to link Transvaal interests

IMPALA PLATINUM of South Africa and Lonrho, the UK multinational, have agreed to merge their adjoining platinum interests in the western Transvaal, writes Jim Jones in Johannesburg.

The companies hope the merger will create an enlarged mining operation capable of being developed rapidly.

Impala will transfer its new Karee mine and some additional mineral rights to Lonrho's Western Platinum in exchange for 25 per cent of the enlarged Western Platinum's equity and 27 per cent of the profits from the expanded mine.

Lonrho's contributions are its existing Western Platinum and Eastern Platinum mines and some contiguous mineral rights. Eastern Platinum is in the Bophuthatswana "homeland" and remains legally a separate operation from the merged Western and Karee which are in South Africa. Nevertheless, the entire operation will essentially be managed as a single entity.

Impala and Lonrho each have pre-emptive rights to acquire the other's shares in Western Platinum should the ownership of the mine change. Mr Terence Wilkinson, Western Platinum managing director, said Lonrho had no plans to divest from South Africa.

He said the merged operations could be expanded to produce 1.5m ounces of platinum group metals (pgm) a year by 1997 provided market conditions were appropriate. He added that half of this total would be platinum and stressed that the expansion did not represent an addition to known pgm availability in 1997.

Western Platinum has been in production since the 1970s; Karee is presently being commissioned at an initial annual platinum production rate of 100,000oz; and Eastern was brought into production last year. Eastern's output is expected to increase to 150,000 ounces of platinum within 18 months, and if the 1997 expansion is completed, Western and Karee will at that stage each produce 300,000oz platinum.

GENCOR GOLD QUARTERLIES

	Gold produced (kg) Dec 89	Gold produced (kg) Sep 89	After-tax profit (Rm) Dec 89	After-tax profit (Rm) Sep 89	Earnings per share (cents) Dec 89	Earnings per share (cents) Sep 89
Beatrix	3,300	3,264	16.9	14.2	14.5	11.7
Bracken	520	537	1.2	3.6	7.7	20.8
Buffels	3,700	3,651	16.3	21.9	140.3	171.0
Grootvlei	852	738	4.5	0.7	37.3	5.9
Kinross	3,055	3,050	21.3	23.2	76.9	73.3
Leslie	742	701	3.0	5.1	14.7	24.9
St. Helena	2,710	2,655	17.2	6.7	72.9	61.3
Stilfontein	1,333	1,246	10.3	2.5	80.9	21.2
Unisel	1,620	1,609	11.9	12.9	33.2	30.6
W. Rand Cons	583	582	3.5	2.0	62.5	37.4
Winkelhaak	3,080	2,850	30.4	27.7	62.7	81.4

Earnings per share calculated after tax and capital expenditure

Gencor to lift production

By Jim Jones

OPERATING strategies designed by Gencor, the South African mining house, to keep its marginal mines profitable are starting to move into their next phase, with plans to increase production without increasing employee numbers.

This follows a period when the group's marginal mines overcame the effects of weak gold prices by cutting ore production rates, retrenching employees and concentrating on exploiting richer ore zones.

Mr Gary Maude, head of the group's gold division, said yesterday he believed gold had entered a bull phase, adding that the group's mines had spare capacity. If the gold price increased to R36,000 per kilogram from the December quarter's average of about R32,500, the marginal mines could increase their underground development rates by as much as 50 per cent.

The cost would be offset by tax savings and the establishment of additional ore would allow production increases using existing manpower.

Buffelsfontein, the group's largest gold mine, increased its ore production rate in the December quarter and raised gold production to a level management believes will be maintained throughout 1990.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL APPOINTMENTS

Security Pacific names new president and CEO

SECURITY PACIFIC, the California-based banking group, named Mr Robert H. Smith, 54, president and chief executive with effect from yesterday, reports AP-DJ from Los Angeles.

He succeeds Mr Richard J. Flamson III, 60, as the parent company's chief executive. Mr Flamson will remain chairman. As president, Mr Smith replaces Mr George F. Moody, 59, who stays chairman of the executive committee.

Mr Smith was also appointed chairman of the company's Security Pacific National Bank unit. Previously, he was president and chief executive of the unit.

Analysts had long speculated that Mr Smith was being groomed to replace Mr Flamson as CEO of the parent company, but had not expected the change so soon.

Mr Flamson, noting that he is stepping down as CEO well before he reaches the company's retirement age of 65, said: "The board, George Moody and I have been planning this transfer of management responsibility for some time."

Security Pacific announced other management changes:

Mr John Singleton, currently vice chairman of the parent, assumes the role of chief operating officer from Mr Moody.

Mr Jerry Grundhofer succeeds Mr Smith as president and CEO of Security Pacific Bank.

Mr Nicholas Binkley was named president and chief operating officer of another unit, Security Pacific Financial Services System. He had been vice chairman and chief operating officer of the unit's consumer services group.

Changes at the top for Bank of Montreal

BANK OF Montreal, Canada's third largest chartered bank, has elected Mr Matthew Barrett chairman of the board of directors, succeeding Mr W.D. Mulholland, who retired from the post on Tuesday.

Mr F.A. (Tony) Comper was also elected to the board and appointed president, succeeding Mr Barrett in this role.

Since last July, Mr Barrett, 45, has been chief executive officer, and Mr Comper, 44, has been chief operating officer.

Mr Mulholland, 63, who spent eight years as chairman, remains on the bank's board.

★ ★ ★

DAYTON HUDSON, a leading US retailing group, named Mr Stephen Watson as the next president and also elected him as a director, with both moves effective from February 1.

He will succeed Mr Bruce Allbright, president of Dayton Hudson since 1987 and who retires at the end of January.

Mr Watson, 45, is currently executive vice president of the corporation and chairman and chief executive of Dayton Hudson Department Store.

★ ★ ★

PAINEWEBBER, a leading US-based securities house, said Mr Bryant Yunker will join the firm as managing director in charge of its New York Stock Exchange specialist operations.

He will report to Mr James Mac Gilvray, managing director responsible for PaineWebber's floor operations, specialist operations and correspondent services.

Mr Yunker previously worked at Marcus Schloss as executive vice president and senior managing partner of specialist operations.

★ ★ ★

MR DAVID O'Brien, who recently quit as president and chief executive of Noverco, the Quebec energy group, has been appointed president of PanCanadian Petroleum, the Calgary-based oil and gas arm of Canadian Pacific. He succeeds Mr Barrie Clark, who has resigned, writes Robert Gibbens in Montreal.

★ ★ ★

AUSTRALIAN AIRLINES, the state-owned domestic carrier, has named Mr John Schaap chief executive officer.

He succeeds Mr James Strong, who left to become head of a new law firm. Mr Schaap, 43, was Qantas general manager of passenger services.

★ ★ ★

THE SUPERVISORY board of Hapag-Lloyd, the West German shipping and tourism group, elected Mr André Leysen as its chairman.

Mr Leysen is chairman of Gevaert, the Belgian financial holding company.

★ ★ ★

THE GOVERNMENT of India has promoted to chairman of the State Bank of India, the country's largest commercial bank, Mr V. Atal, previously managing director.

CBOT chairman survives challenge to leadership

By Deborah Hargreaves

IN A hotly-contested election for a chairman of the Chicago Board of Trade, the world's largest futures exchange, Mr Karsten "Cash" Mahlmann, the incumbent, has managed to hold on to his position for an unprecedented fourth term.

However, Mr Leslie Rosenthal, Mr Mahlmann's vociferous opponent, succeeded in netting more than 500 votes, which is no mean feat in the close-knit environment of the CBOT where directors usually stand for election unopposed. Mr Mahlmann won with 630 votes.

Mr Rosenthal's strong challenge to Mr Mahlmann's leadership is evidence of widespread disaffection at the 140-year old exchange as it gears up for tough competition in the 1990s from nascent futures exchanges around the world.

Mr Mahlmann presented himself as the continuity candidate as the CBOT faces calls for more stringent regulation and when the Commodity Futures Trading Commission, the industry regulator, is due to be reauthorised by Congress.

Mr Rosenthal's campaign had advocated dramatic change at the usually staid exchange.

His election platform had hinged on the sale and lease-back of the CBOT's landmark art deco building, a move which Mr Mahlmann strongly opposed.

Karsten Mahlmann: victorious, but opposition was strong

Under the current US tax system, Mr Mahlmann reckoned that the exchange would end up paying almost 70 per cent of the gain from a sale of the building in taxes.

However, he did pledge to raise revenues and keep member costs low. Members were angered last year by an attempt to raise fees to pay for new technology.

The strongest plank of Mr Mahlmann's platform was a bid to create more new products for the exchange. The CBOT has been losing its innovative edge to its smaller rival, the Chicago Mercantile Exchange (CME), and Mr Rosenthal had been pushing for more initiative on new contracts.

Mr Mahlmann has promised to create more member committees to develop new products. He is specifically looking at futures contracts on commodity swaps and insurance instruments.

Part of Mr Mahlmann's campaign was also focused on a bid to fight CME plans which would allow block trading of stock index futures contracts. Block trading on stock indices grew out of the stock market crash in 1987 as a way to give institutional investors access to higher volume trades.

The challenge to Mr Mahlmann's leadership at the CBOT arose out of the way the exchange handled a saga of crisis and controversy last year. Mr Mahlmann was slow to respond to allegations made as a result of the massive FBI probe into futures fraud, and when he did, he was defensive.

In a vote for the deputy chairman's position at the CBOT, Mr William O'Connor, chairman of O'Connor & Co, one of Chicago's largest futures brokers, beat an outside challenge by Mr Donald Andrew, senior vice president at Shearson Lehman Hutton. Traders at the exchange believe that Mr O'Connor, who is widely respected, will exert a strong influence over leadership of the body this year.

DnC Sverige ends bond market-making

THE SWEDISH subsidiary of Den Norske Creditbank (DnC), the big Norwegian institution, is to stop making a market in government bonds, Treasury bills and mortgage bonds from today, Reuter reports.

The unit, DnC Sverige, said Sweden's turnover tax on securities trading meant it could not cover its trading costs. It will continue to make a market in certificates of deposit and carry out money market transactions.

A government appointee is considering whether the tax should be retained on the Swedish market.

This month Skansa Banken also withdrew as a market-maker in government paper. DnC's withdrawal leaves 14 market-makers operating.

Also this month, the National Debt Office said that having fewer market-makers would not cause problems for the handling of state debt.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	98¾	99¼	-0⅛	-0⅛	8.82
Alberta 9¼ 95	600	102⅛	102⅝	-0⅛	-0⅛	8.79
Austria 9½ 93	140	102⅛	102⅝	-0⅛	-0½	8.71
B.F.C.E. 8⅞ 94	175	98½	98⅞	-0⅛	-0⅛	8.73
B.F.C.E. 9¼ 95	150	101⅞	102⅛	-0⅛	-0⅛	8.79
Brit. Tel. Fin. 9⅛ 98	250	102	102½	-0⅛	-1⅛	8.97
Canada 9 96	1000	101⅞	102⅛	-0⅛	-0⅞	8.53
C.C.C.E 9¼ 95	300	101⅞	102⅛	-0⅛	-0⅛	8.74
C.N.C.A 9¼ 93	150	†100⅞	101⅛	-0⅛	-0⅛	8.95
Credit National 8⅛ 93	200	†98⅛	99⅛	-0⅛	-0⅛	8.64
Credit National 7⅞ 92	100	97⅛	97⅝	0	-0⅛	8.67
Credit National 9⅝ 92	160	†101⅞	102⅛	-0⅛	-0⅛	8.70
Dai-Ichi Kan 9⅝ 92	150	101⅛	101⅞	-0⅛	-0½	8.88
Denmark 8⅛ 94	150	†97½	98	-0⅛	-0⅛	8.84
E.E.C. 7 91	100	97⅛	97⅛	-0⅛	-0⅛	8.55
E.E.C. 10 93	140	†103⅛	103⅝	-0⅛	-0⅛	8.72
E.I.B. 8⅛ 99	150	97⅛	97⅝	-0⅛	-1⅛	8.88
Eurofima 10⅛ 93	100	†103⅝	104	-0⅛	-0⅛	8.70
Elec.De France 9 98	200	100⅛	101	-0⅛	-1⅛	8.86
Elec. De France 9⅛ 99	200	†102⅛	103	-0⅛	-1⅛	9.02
Finland 9 96	250	100⅝	101⅛	-0⅛	-0⅛	8.80
Finn.Exp.Cd. 8½ 92	200	99⅛	99⅛	-0⅛	-0⅛	8.74
Finn. Exp. Cd. 9⅛ 95	200	102⅛	102⅛	-0⅛	-0⅛	8.84
Ford Motor Credit 8 91	250	†98⅞	99⅛	0	+0⅛	8.76
Gen.Elec.Cap.Corp. 9 95	500	†100⅝	101⅛	-0⅛	-0⅞	8.71
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅞	101⅞	-0⅛	-0⅛	8.41
G.M.A.C. 8⅛ 94	500	†98⅛	98⅝	-0⅛	-0⅛	9.17
G.M.A.C. 9 96	300	99	99⅝	-0⅛	-0⅞	9.16
Gen. Mtrs.Corp. 9⅛ 92	200	100½	101⅛	-0⅛	-0½	8.73
IBM Credit Corp. 8⅝ 92	400	99⅝	100	-0⅛	-0⅛	8.65
IBM Credit Corp. 8⅞ 91	250	†99⅞	100⅛	-0⅛	-0⅛	8.76
IBM Credit Corp. 9 92	250	100½	101⅛	-0⅛	-0⅛	8.61
IBM Credit Corp. 9½ 92	250	101	101½	-0⅛	-0½	8.80
Italy 8½ 94	1500	98⅞	99⅛	-0⅛	-0⅛	8.75
Italy 9½ 95	1000	102⅞	103⅛	-0⅛	-0⅛	8.78
Italy 9⅝ 99	1000	103⅝	104	-0⅛	-1⅛	8.98
Itoh C. W/W 4⅛ 94	1000	109⅛	110½	+1⅛	-2½	2.25
Japan Dev. Bank 10 98	200	105	105½	-0⅛	-0⅛	8.86
KFW Intl. Fin. 9 94	300	100½	101	-0⅛	-0⅛	8.77
L.T.C.B. of Japan 9⅛ 92	200	100⅝	101⅛	-0⅛	-0⅛	8.86
New Zealand 9 94	850	99½	100	-0⅛	-0⅛	9.04
Nippon Tel.&Tel. 9⅝ 98	250	102⅛	102⅝	-0⅛	-1	8.97
Norway 8⅛ 93	500	100⅛	100⅜	-0⅛	-0⅛	8.54
Portugal 8⅛ 91	300	†98⅞	99⅛	-0⅛	-0⅛	9.13
Sumitomo Corp. W/W 4 93	1500	118½	119⅛	+0⅛	-3⅛	-1.38
Sweden 8⅞ 96	200	99⅛	100⅛	-0⅛	-1	8.76
Toyota 9½ 91	200	101	101⅛	-0⅛	-0⅛	8.82
Toyota Mtr.Corp. W/W 4 93	1500	†103	104½	+0½	-1⅛	2.82
Victorian Rep 11⅛ 92	150	104½	105	-0⅛	-0½	9.17
World Bank 8⅝ 99	1500	98⅞	99⅛	-0⅛	-1⅛	8.61
World Bank 9 97	300	100⅝	101⅛	-0⅛	-1	8.82
World Bank 9 93	300	101⅛	101½	-0⅛	-0⅛	8.54
World Bank 9⅛ 98	300	101⅞	102⅛	-0½	-1⅛	8.93
World Bank 9⅝ 99	500	104⅛	104⅝	0	-1⅛	8.88
World Bank 9⅞ 96	300	†104⅛	104⅝	0	-0⅛	8.80

Average price change... On day 0 on week -1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	90⅞	91⅛	-0⅛	0	8.23
Austria 6¼ 99	750	91⅛	92	0	-0⅛	8.04
Bk.Frgn.Econ.USSR 7 96	750	†91½	92½	-0⅛	0	8.71
Bank of Tokyo 5⅛ 93	100	93⅞	94⅛	0	+0½	7.99
Commerzbank o/s. 5⅝ 93	300	93⅞	94⅛	-0⅛	-0⅛	7.71
Credit Foncier 6⅞ 99	500	91⅝	91⅞	-0⅛	-0⅛	9.10
E.I.B. 6⅛ 99	600	88⅛	88⅞	+0⅛	-0⅛	8.11
E.I.B. 6½ 99	300	91⅞	92⅝	0	-2⅛	7.71
E.I.B. 6⅝ 96	600	94⅛	95	0	-0⅛	7.71
E.I.B. 6⅞ 95	300	94⅞	95	0	-2⅛	8.03
Euro.Coal& Steel 5⅞ 97	175	88⅛	88⅞	-0⅛	-0½	8.09
Eurofima 6⅛ 96	100	91½	92⅛	-0⅛	-0⅛	7.90
Elec De France 5⅞ 97	300	87⅞	88⅛	-1⅛	-1⅛	7.94
Hydro-Quebec 6⅞ 99	300	91⅛	91⅞	-0⅛	-0⅝	8.09
Japan Dev. Bk. 5⅞ 95	300	87⅞	88⅝	-0⅛	-0⅛	8.26
Japan Finance 5⅛ 97	100	86⅛	87½	0	-0⅝	8.21
I.A.D.B. 7⅛ 99	300	94⅞	94⅞	0	-0⅛	8.07
Ireland 6½ 97	300	90⅞	90⅞	-0⅛	-0⅞	8.25
Ireland 7⅛ 99	500	94	94⅛	0	-0⅛	8.12
Malaysia 6⅛ 94	150	96⅛	97	-0⅛	+2⅛	7.15
Nat. West BK. PLC 6 98	300	87⅝	88⅛	+0⅛	0	8.03
Nippon Telg.&Tel. 6 95	400	90⅞	91⅝	-0⅛	-1⅛	6.71
Oester. Kontbk. 5 93	300	91½	92⅛	+0⅛	-0⅛	8.12
Portugal 5⅞ 92	150	94½	95⅛	-0⅛	-0⅛	8.04
Portugal 6⅝ 95	150	93⅞	94⅛	0	-0⅛	8.05
Privatbanken 5⅛ 93	150	91⅞	92	+0⅛	-0⅝	8.41
Royal Insurance 5½ 92	300	93⅞	94⅜	0	+0⅛	8.48
Turkey 6½ 95	500	90½	91⅛	+0⅛	+0⅛	8.70
Union Bk.Finland 5⅞ 94	200	91⅛	91⅞	0	+0½	8.07
World Bank 6 98	500	86⅛	87⅞	-0⅛	-0½	8.12
World BK. 6⅛ 97	600	89⅞	90½	-0⅛	-1	8.98
World Bank 6⅞ 99	600	91⅞	91⅛	0	-0½	8.03

Average price change... On day -0⅛ on week -0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†86	86⅛	0	+0⅛	7.73
Asfinag 5 03	100	†81½	82	+0⅛	-0⅛	7.14
B.F.C.E. 4½ 98	200	†84½	85½	-0½	+1	6.89
B.M.W.Fin.Neth. 5 13	150	†80	80⅛	0	-1⅞	6.71
Britannia B/S. 4⅛ 94	100	†81½	82	-0⅛	-3⅛	9.51
CIR. Int. W/W 3 93	125	*†86⅛	86⅛	0	+0⅞	7.65
Credit Lyonnais 4⅛ 00	100	†79⅛	79⅝	-0½	-2⅛	7.69
E.I.B 4⅞ 98	150	†83½	84	+0⅛	-0⅜	7.26
Finn. Exp. Cd. 8⅛ 92	75	†98½	99	0	-1	8.76
Fletcher Chall. 4⅞ 98	150	†74	75	0	-2½	9.47
I.A.D.B. 6 2004	200	†90½	91	+0⅛	-2⅛	7.03
Kobe City 4⅝ 98	150	†82⅛	82⅞	-0⅛	-1⅞	7.48
Leeds Perm. B/S. 4⅛ 93	200	†88	88⅛	0	+0⅞	8.45
Malaysia 5⅛ 98	100	†80½	81½	0	+1⅛	8.47
Maxwell Comm.Crp. 5 95	150	†82⅞	83	-0⅛	0	9.14
Nat.Bk. Hungary 5½ 94	75	†88	90	0	0	8.31
Nationwide Ang.B/S. 4 93	200	†86	87	-2	-3½	8.73
Prov. Newfoundland 5 03	150	†80½	81½	-0⅛	-0½	7.20
Thailand 4⅝ 95	200	†83	84	0	+1⅞	8.50
World Bank 5 03	150	†83	84	+0⅞	-0½	6.91

Average price change... On day -0⅛ on week -0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99½	0	0	6.71
Canada 5⅝ 93	80	96⅛	96⅝	0	-0⅝	6.76
Eurofima 5 1995	20	91⅛	92	-0⅛	-1⅝	6.95
E.I.B. 4⅞ 93	30	94⅛	94⅞	0	-0⅛	6.79
Ireland 5⅛ 93	30	93⅞	94⅛	0	-0⅝	7.28
Norway 5⅛ 95	50	93⅛	93⅞	+0⅛	-2⅛	6.70
Sweden 4⅞ 93	50	93⅞	94	0	-0½	6.73
World Bank 5⅛ 98	10	†90½	91	-0⅛	-1⅛	6.62
World Bank 7 94	20	100⅞	100⅞	-0⅛	-1	6.81

Average price change... On day 0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	96½	96⅞	0	0	11.19
Abbey Nat. 11⅛ 93 £	100	94⅝	95⅛	-0⅛	-0⅛	13.78
Aegon 7⅛ 92 Fl	100	99	99½	0	-0⅛	7.96
Alg. Bk. Ned. 5⅜ 93 Fl	200	92⅛	93⅛	0	-0⅛	8.35
Austria 7½ 94 ECU	100	90⅞	91⅛	0	-1⅛	10.19
Barclays Aus.13½ 91 A$	100	97	97½	+0⅛	-0⅞	15.29
Belgium 8⅛ 94 Ecu	150	92	92½	-0⅛	-1⅛	10.53
Bell Canada 10⅝ 04 C$	200	99⅛	100⅛	-0⅛	-1	10.86
BP Capital 9⅛ 93 £	100	90⅛	90⅞	-0⅛	-0⅞	13.47
British Airways 10 98 £	100	86½	87	-0⅛	-1½	12.69
Brit. Telecom 9½ 93 £	150	90⅛	91⅛	-0⅛	-0⅛	13.14
Comm.Bk.Aust. 12⅝ 93A$	100	†93⅛	93⅞	0	-0⅛	15.10
Comm.Bk.Aus.13⅛ 94 NZ$	60	103⅞	104⅛	0	+0½	12.42
Credit Foncier 9 96 Ecu	100	94⅝	95⅛	0	-1⅛	10.09
Cr.Local France 9⅛ 92Ecu	100	97½	98⅛	-0⅛	-0⅞	10.38
Dept.Bk.Aus. 13⅛ 93 A$	125	98⅞	99⅛	+0⅛	-0⅛	13.69
Deutsche Bk.Fin. 15 94 A$	100	102½	103	0	-0⅞	14.04
Elec. De France 9⅛ 99C$	150	93⅞	94⅛	-0⅛	-0½	10.76
E.I.B. 7 96 LFr	100	†94⅞	95⅛	0	+0⅛	8.02
E.I.B. 7⅛ 99 Fl	150	91⅞	92⅛	0	-0⅛	8.34
E.I.B. 9 99 Ecu	150	94½	95⅛	-0⅛	-1⅛	9.83
Eurofima 7⅝ 94 Ecu	100	91	91½	0	-1⅛	10.39
Export Dv.Crp.8⅛ 92Ecu	100	96⅛	96⅞	0	-0½	10.44
Fed.Bus.Dv.Bk. 9 94 Ecu	100	95⅛	95⅝	0	-1⅛	10.32
Fed.Bus.Dv.Bk.9⅛ 92 C$	75	†97⅛	97⅞	0	+0⅛	10.94
Ferrv. Stato 7⅞ 93 Ecu	100	91½	92	-0⅛	-0⅞	10.76
Ford Cr.Can.10⅛ 93 C$	100	†99	99½	-0⅛	+0⅛	11.03
Ford Cred.Can.10⅞ 96C$	125	98⅝	99⅛	0	-0⅛	11.12
Ford Cred.Fund.10⅛ 93£	60	92½	93	-0⅝	-1⅛	13.26
G.M.A.C.Canada 11 3/4 94C$	100	101⅞	101⅝	+0½	-0⅞	11.29
Heineken 7⅝ 94 Fl	150	98⅞	99⅛	0	-0⅛	7.84
Hydro-Quebec 11 99 C$	400	100⅛	100⅛	-0⅛	-0⅛	10.88
Lloyds Bank 10⅛ 98 £	150	87⅝	88⅛	-0⅛	-1½	12.71
Lloyds Bank 11⅛ 98 £	100	91⅛	91⅞	-0⅛	-1½	13.06
Montreal Tst.10⅛ 93 C$	100	†97⅛	97⅞	0	-0½	11.54
Nat. Aus. Bk. 14⅛ 94A$	100	99⅝	99⅞	-0⅛	-0⅛	14.85
New Zealand 9½ 93 £	100	89⅝	90⅛	-0½	-0⅞	13.42
O.E.K.B. 10⅛ 99 C$	150	96½	97⅛	-0⅛	-0½	10.79
Royal Bk.Scot.10⅝ 98 £	125	89⅝	90⅛	-0⅛	-1⅛	12.72
Saskatchewan 10⅛ 93 C$	200	97⅝	98⅛	-0⅛	+0⅛	10.93
State Bk.NSW. 13⅞ 93A$	100	97⅝	98	0	-0⅝	14.68
Sweden 7½ 93 Ecu	250	91½	92	-0⅛	-1⅛	10.19
Sweden 15 94 A$	100	101⅞	102⅞	-0⅛	-0⅞	14.28
Toyota Mtr.Cr.10⅝ 94C$	150	97½	98	0	-0⅛	10.93
Toyota Mtr.Cr.11⅛ 92C$	150	100⅞	100⅞	0	+0⅛	11.05
World Bank 7½ 99 Fl	300	92	92½	0	-0⅛	8.34
World Bank 10⅞ 94 £	200	93⅞	94⅝	-0⅛	-1⅛	12.59
World Bank 13⅝ 92 A$	100	101⅝	102⅛	-0⅛	-1	12.36
World Bank 14⅛ 94 A$	75	100⅞	101⅛	-0⅛	-1⅛	13.87
Zentrspk. 13⅛ 93 A$	75	†96⅝	97⅛	-0⅛	-0⅛	14.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.91	99.96	24/01	15.21
Bank of Greece 99 US	0¼	99.50	99.59	8/03	9¼
Belgium 91 US	0	100.10	100.20	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.81	99.86	28/02	15.31
Credit Foncier 98 US	.063	99.88	99.98	20/04	8.31
Dresdner Finance 99 DM	.031	100.14	100.23	28/01	8.16
EEC 3 92 DM	0	100.18	100.28	22/02	6¼
Halifax BS 94 £	.1	100.00	100.07	9/02	15.16
Invt. In Industry 94 £	0¼	99.94	100.04	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.88	99.93	29/03	15⅛
New Zealand 5 97 £	.07	99.99	100.09	22/02	15¼
Northern Rock 92 £	0⅛	99.84	99.89	20/01	5⅛
State Bk. Nsw. 98 US	.188	100.04	100.14	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.98	100.04	15/01	15.37
Woolwich 5 95 £	0⅛	99.98	100.04	22/02	15.31

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	117½	118½	+0⅛	0.56
Amer. Brands 7⅛ 02 US	9/87	56.7	117⅛	118⅛	+2	0.40
CBS. Inc. 5 02 US	4/87	200.	95⅞	96⅞	+0½	9.28
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	93⅞	94⅞	-0⅛	7.89
Primerica 5½ 02 US	4/87	66.75	74	75	0	79.20
Eng.China Clay 6½ 03 £	9/88	4.8	95	96	-0½	5.38
Fujitsu 3 99 US	5/84	1106.	210	211	+1	-1.30
Ladbroke 5⅛ 04 £	6/89	3.55	101⅞	102⅛	-0½	13.43
Land Secs. 6⅛ 02 £	6/87	6.72	89	90	+0⅞	15.44
Minolta Camera 2⅛ 94DM	2/86	1004.	107⅛	108⅞	-1⅛	11.17
MCA Inc 5½ 02 US	†9/87	69.62	97⅛	98⅛	+0⅛	16.68
Mitsubishi Bk. 3½ 04US	5/89	3266.	87⅝	88⅝	+0⅛	4.39
Next Plc 5⅛ 03 £	11/87	4.3	96⅛	97⅛	0	328.34
Nikki Bigs Bk 2⅞ 03 US	4/88	804.	140⅞	141⅛	+2⅞	-2.45
Omnicom Inc. 6 1/2% 04 US	10/89	28.	104	105	-1⅛	17.40
Omron Tateisi 2⅝ 02 US	4/87	1310.	276	277	+2	132.62
Ranks Hovis 4½ 03 £	1/88	3.5	123⅞	124⅞	+1½	1.37
Redland 7⅛ 02 £	1/87	5.4	108⅛	109½	-2	1.32
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	85½	86½	0	48.73
Silicon Graphics 8 04 US	6/89	23.18	127⅞	128⅞	+5⅛	2.90
Sumitomo Bank 3⅛ 04 US	2/89	3897.	81⅛	82⅛	+0⅛	6.16
Texas Inst. 2⅞ 02 US	9/87	82.87	78⅛	79⅛	+0⅛	80.64
Utd.N'papers 8 04 £	10/89	8.77	119⅞	120⅞	-0⅞	140.94
W.R. Grace 6⅛ 02 US	9/87	42.12	91⅛	92⅛	+0⅞	26.87

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Gilts slide at long end on news of low PSDR

By Martin Dickson in London and Janet Bush in New York

UK GOVERNMENT bond prices plunged again yesterday by more than a point at the long end as the market reacted gloomily to a smaller than expected public sector debt repayment (PSDR) for December and to Ford workers' rejection of a new pay offer.

GOVERNMENT BONDS

The day's news reinforced the two primary fears behind the market's prolonged slide over the past week and a half — that the Government's reverse gilts auctions have ended and that inflation is again under strong upward pressure.

The market was weak almost from the start, amid reports of Japanese investors taking currency-related profits, and then fell sharply when it heard that the December PSDR was only £400m compared with forecasts of £2.1bn. Several securities houses downgraded their estimates of the 1990 budget surplus from around £11.5bn to £10bn-£10.5bn, further reducing the likelihood of a resumption of reverse gilts auctions.

The news from Ford UK in the afternoon knocked about a further ¾ point off prices, and the benchmark 11¾ Treasury stock due 2003/07 closed at 106¾, down 1¼, for a yield of 10.79.

■ WEST GERMAN government bonds had a see-saw day, starting with a small bounce in the wake of Tuesday's 80 pfennig drop.

However, prices retreated again on the news that the Bundesbank drained DM4.1bn from the banking system at its weekly securities repurchase tender, as it allotted 28-day funds at 7.70/8.00 per cent and 56-day funds at 7.90/8.15 per cent. This was seen initially as tight but on reconsideration of liquidity the market recovered a touch.

The Federal Government's benchmark 7¾ January 2000 bond was fixed at 97.57 after 97.77 on Tuesday, to yield 7.61 per cent after 7.58 per cent on Tuesday. In late trading it was quoted at 97.65 for a yield of 7.59.

■ TRADING in the Dutch market was dominated by the new 8.25 per cent 10-year state bullet bond.

It was announced on Tuesday that the auction had raised Fl 5bn with the issue price set at 99.80, for a yield of 8.28 per cent, less a 28 cents reallowance, or discount, to primary investors. It was quoted during a day of relative quiet trading as high as 99.74 and closed at 99.70.

■ JAPANESE government bonds, which fell sharply on Tuesday in Tokyo's trading day, recovered some poise yesterday. In London, the key benchmark 10-year bond was trading late in the day at a yield of 6.61 to 6.64, around the same level as Tuesday's London close.

■ US TREASURY bonds held steady yesterday morning, despite news of an unexpected widening in the November trade deficit and a stronger than expected gain in industrial production last month.

At midsession, prices were quoted as much as ⅛ point higher, with the benchmark long bond quoted ⅛ point higher for a yield of 8.23 per cent.

The steady tone of the market was attributed partly to the renewed stability in Japanese stock and bond markets overnight after their recent sharp falls. This had undermined the Treasury market amid reports that Japanese investors were selling Treasuries to meet margin calls in their home markets.

The drag from Tokyo and a negative reaction to last Friday's news of a 0.7 per cent jump in US producer prices in December had pushed the yield on the long bond very near to 8.25 per cent, the top end of its perceived trading range.

The merchandise trade deficit widened to $10.5bn in November from a revised shortfall in October of $10.25bn. Forecasts had looked for a November deficit of nearer $9bn.

Any negative reaction to this news was mitigated by the interpretation offered by the Commerce Department, which attributed a $1bn drop in capital goods exports between October and November to the strike at Boeing.

The Boeing strike also helped boost industrial production 0.4 per cent in December from a revised 0.3 per cent gain in November.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	101-29	-11/32	12.62	12.18	11.87
		9.750	1/98	91-31	-24/32	11.30	10.82	10.71
		9.000	10/08	89-30	-26/32	10.21	9.98	9.72
US TREASURY *		7.875	11/99	97-30	+8/32	8.18	8.02	7.80
		8.125	8/19	96-23	+8/32	8.24	8.10	7.85
JAPAN	No 111	4.800	6/99	89.3576	+0.054	6.64	6.20	5.59
	No 2	5.700	3/07	93.7364	-	6.47	6.03	5.47
GERMANY		7.000	9/99	95.6500	+0.270	7.65	7.53	7.18
FRANCE	BTAN	9.000	10/94	92.0565	+0.108	10.17	10.19	9.74
	OAT	8.125	5/99	91.5800	+0.050	9.51	9.52	9.14
CANADA *		9.250	12/99	96.4500	+0.075	9.82	9.75	9.53
NETHERLANDS		7.250	7/99	92.6500	-0.100	8.35	8.17	7.78
AUSTRALIA		12.000	7/99	94.7053	+0.361	12.86	12.33	13.07

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

Technical Data/ATLAS Price Sources

Korean construction group in $50m issue

By Deborah Hargreaves and Andrew Taylor

DONG AH Construction and Industrial, Korea's second largest construction company after Hyundai, launched a US$50m convertible Eurobond yesterday to finance its overseas operations.

The issue carries a coupon of 1 to 1½ per cent with a conversion premium of 65 per cent to 75 per cent. Final pricing will be decided tomorrow.

Swiss Bank Corp, which is joint lead manager with Dong Suh Securities, said it was only the eighth convertible issue to be permitted by the Korean authorities, which fiercely restrict foreign shareholdings in Korean companies.

The Eurobond issue carries a five-year put option, which yields 5¼ to 5½ per cent in February 1995. It is callable from January 1 1992, with a 104 per cent yield in the first year declining annually to be callable at par in 1995.

Dong Ah's overseas operations have usually generated more than half the group's turnover, although the domestic construction market is increasing rapidly.

Most of Dong Ah's overseas work has been in the Middle East, where the group's access to cheap labour from Thailand, and more recently countries such as Bangladesh and India, has given it a competitive advantage.

Dong Ah is the largest export earner in the construction sector. Its overseas order book is currently worth more than US$6.5bn.

Its biggest contract is as the main contractor on the $3.6bn first phase of the Great Man-made River development in Libya. This water supply and irrigation project, when completed next century, is projected to have cost more than $27bn – making the Channel tunnel look small by comparison.

Dong Ah has recently received a letter of intent for the $4.6bn second phase of the project.

● The issue was well received yesterday in a thin market, where it was trading at 104¼ to 105.

Japanese bank holds nearly 5% of Hambros

By David Lascelles, Banking Editor

MITSUI Bank, Japan's ninth largest, has acquired a stake of just under 5 per cent in Hambros, the London merchant banking group.

Hambros says it views the stake as a friendly approach by a bank with which it has been associated for some time. Links go back to 1973 when the two set up the joint financial venture Hambro-Mitsui.

The investment has been accumulated over a long period and adds to the growing list of international shareholders in Hambros. The largest is Istituto Bancario San Paolo di Torino with 12.34 per cent, followed by Baltica of Denmark with 12.3 per cent, UK insurance group GRE with 8.7 per cent and Banco Bilbao Vizcaya with six per cent.

The investment is a further indication of increasing Japanese interest in merchant banking – for instance, Bank of Yokohama bought Guinness Mahon last year.

Confirmation of the Mitsui move came as Hambros announced that it was extending its European mergers and acquisitions network by setting up a co-operation agreement with Amsterdam Investment Bank, a newly established Dutch investment institution.

The two banks will provide corporate finance advice to companies interested in making cross-border acquisitions.

Amsterdam Investment Bank has 20m guilders in capital, and is part of the Pacific Investment Holding group. Amsterdam-Rotterdam (Amro) bank is one of its shareholders. It is a fully licensed bank and a member of the Amsterdam Stock Exchange.

The arrangement means that Hambros now has a partner in each of seven countries. The other partners are De Mello Group (Portugal), Bayerische Vereinsbank (Germany), Holtug & Audon (Denmark), Kredietbank (Belgium), Istituto Bancario San Paolo di Torino (Italy) and Banco Bilbao Vizcaya (Spain).

Sir Michael Butler, the executive director responsible for Hambros European network, said yesterday that the volume of cross-border M&A activity was rising sharply and probably doubled in 1988. Hambros did four deals last year which were directly attributable to its network, and was now working on 47 mandates, he said.

Sir Michael said he expected Hambros' next continental partner to be in Austria.

Australian Government in issue buyback to cut debt

By Deborah Hargreaves

THE Australian Government announced yesterday that it had completed a reverse tender offer to buy back three long-dated sterling issues in a bid to reduce its international debt.

The reverse tender offer was the first of its kind in the sterling bulldog market. The Government bought just under £100m of £186m stock offered to it from an outstanding total on the three bulldog issues of £233m.

The Government bought £31.6m of the 13½ per cent issue due in 2010, out of a total of £73.9m offered, with a lowest price of 118.$\frac{1}{32}$ and a highest price of 119.⅛.

For the 9½ per cent issue, the Government bought £32.3m from £58.9m on offer at a lowest price of 86.⅛ and a highest price of 87.

In addition, it bought £36.7m of the £53m offered in the 11⅝ per cent issue due in 2015, at a lowest price of 101.$\frac{1}{32}$ and a highest price of 102.⅛.

The tender offer leaves a fairly small amount of stock with margins ranging from 92-95 basis points over the reference gilt.

New issues trail off after declines of past two weeks

By Deborah Hargreaves

IT WAS A quiet day for the Eurobond market yesterday as new issue activity trailed off in the wake of sharp declines across the European government bond markets in the past two weeks.

INTERNATIONAL BONDS

In the straight primary market, recent issues saw prices little changed. The Japanese equity-linked secondary market was a little stronger.

One of the most interesting issues yesterday was a late floating rate deal for Compagnie Bancaire, a French bank, managed by J.P. Morgan. The deal was still in syndication last night and expected to begin trading this morning.

The £150m issue – with a further £100m on tap – matures in March 1995 and is priced at 99.80, with coupon paying a 3-month Libor flat rate. The issue, for which total fees have been set at 5 basis points, carries a put option from 1991 at a price of 99.80, increasing by 5 cents a year.

Bankers Trust brought a Y15bn deal for Mitsui & Co (Hong Kong) yesterday, but the quasi-private deal, carrying a coupon of 10 per cent, was not expected to be widely traded.

The Swiss market was fairly active with a range of private placements and just one public issue, for Polly Peck International. As expected, the SFr150m deal was brought to the market by Warburgs, with a coupon of 8¾ and an issue price of 100. The deal matures in March 1997.

A two-tranche private placement for the ECSC was trading within its fees late yesterday, after being brought to the market by Swiss Bank Corp. Other private placements included a SFr60m deal for Hamburgische Landesbank, a SFr100m issue for Sumitomo Corp Leasing and a SFr47m deal for Yokowo.

● A floating rate deal was issued in Germany yesterday by Trinkhaus with an international syndicate. The DM1bn issue is priced at 100 and matures in February 2000, paying a coupon of ⅛ under 3-month Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Compagnie Bancaire(g)‡◆	150	(g)	99.80	1995	5bp	J.P. Morgan Secs.
US DOLLARS						
Dong Ah Constr.& Ind.Co.(h)§	50	(1-1½)	100	2004	2½/1½	Swiss Bank Corp.
Daiwa House Industry(a)‡◆	800	2⅞	100	1995	2¼/1½	Nomura Int.
SWISS FRANCS						
Polly Peck Int.Finance(b)◆	150	8¾	100	1997	2⅛	S.G. Warburg Soditic
Sumitomo Corp.Leasing(c)§☆☆	100	Zero	100	1994	1½	SBC
Eur.Coal and Steel Comm.☆☆◆	67.5	7½	99¾	1996	1½	SBC
Eur.Coal and Steel Comm.☆☆◆	67.5	7¼	100⅛	1998	1¾	SBC
Hamburgishce LB(b)☆☆◆	60	7⅝	100⅞	1997	1⅝	Merrill Lynch Cap.Mkts
Yokowo Mfg.Co.(d)§☆☆	47	¼	100	1994	1½	Nikko (Switzerland) Fin.
YEN						
Mitsui and Co.(H.Kong)(f)◆	15bn	10	101⅛	1994	1⅛	Bankers Trust Int.
TRIPS-Series H(e)◆	2.33bn	7½	102	1993	2/1¼	Toyo Trust Int.
TRIPS-Series H(e)◆	2.135bn	8.1	102	1999	2/1¼	Toyo Trust Int.
Christiania Bank(f)◆	2.9bn	8¾	101⅛	1992	1⅛	Morgan Stanley Int.

‡With equity warrants. §Convertible. ☆☆Private placement. ◆Final terms. ‡Floating rate notes. a) Coupon cut by ⅛% from indication. b) Non-callable. c) Put option 31/3/92 at 107⅛ to yield 3.239%. d) Put option 30/9/92 at 108.2 to yield 3.261%. e) Reverse dual-currency issue. Coupon payable in A$. Unlisted. f) Redemption linked to Nikkei stock index. g) Coupon pays 3-month Libor flat. Put from 1991 at 99.80 increasing 5bp p.a. Additional £100m on tap. h) Put option 14/2/95 indicated to yield 5¼-5¾%. Call Jan.1992 at 104 decreasing 1% p.a. until 1994 and thereafter callable at par.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jan 17 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Jan 16 Index No.	Mon Jan 15 Index No.	Fri Jan 12 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (203)	924.64	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (27)	1135.88	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (36)	1545.58	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	2628.37	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	1994.59	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Engineering-Aerospace (8)	466.85	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Engineering-General (45)	493.03	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	474.51	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	389.38	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (25)	1699.48	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (179)	1322.92	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	1543.12	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (19)	1144.35	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	2322.92	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (13)	2644.93	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (33)	1651.25	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (15)	592.17	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (17)	3491.39	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (31)	805.81	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (13)	528.46	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (162)	1197.82	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (16)	1571.82	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	1250.03	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	1469.42	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (13)	2339.34	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks (2)	1250.80	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water (10)	2791.32	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	1935.18	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (484)	1196.79	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (16)	2363.16	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1294.63	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (114)	845.87	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	855.95	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (7)	1415.86	+1.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	711.18	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (6)	1131.87	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (8)	485.73	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	1209.49	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (28)	394.10	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (68)	1253.46	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Overseas Traders (5)	1544.83	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (687)	1186.53	+0.9	-	4.35	-	0.32	1175.64	1184.17	1191.71	976.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 16	Jan 15	Jan 12	Jan 11	Jan 10	Year ago
FT-SE 100 SHARE INDEX‡	2373.9	+24.8	2373.9	2355.5	2349.1	2366.2	2380.1	2417.9	2412.6	1892.1

FIXED INTEREST

PRICE INDICES	Wed Jan 17	Day's change %	Tue Jan 16	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	114.77	-0.29	115.11	-	0.91
2 5-15 years	125.65	-0.69	126.53	-	0.43
3 Over 15 years	134.38	-1.09	135.86	-	0.00
4 Irredeemables	151.63	-1.64	154.17	-	0.00
5 All stocks	124.55	-0.62	125.32	-	0.56
Index-Linked					
6 Up to 5 years	140.88	-0.39	141.44	-	0.00
7 Over 5 years	138.42	-0.82	139.83	0.26	0.47
8 All stocks	138.49	-0.79	139.83	0.24	0.44
9 Debentures & Loans	105.30	+0.07	105.22	-	0.31
10 Preference	84.05		84.05	-	0.16

AVERAGE GROSS REDEMPTION YIELDS			Wed Jan 17	Tue Jan 16	Year ago (approx.)
British Government					
1	Low	5 years	10.63	10.55	9.28
2	Coupons	15 years	10.24	10.06	9.02
3		25 years	10.11	9.92	8.96
4	Medium	5 years	11.80	11.65	10.35
5	Coupons	15 years	10.58	10.44	9.57
6		25 years	10.18	10.04	9.19
7	High	5 years	11.93	11.79	10.62
8	Coupons	15 years	10.74	10.62	9.72
9		25 years	10.28	10.15	9.20
10	Irredeemables†		10.13	9.95	8.98
Index-Linked					
11	Inflation rate 5%	Up to 5yrs.	4.13	3.98	3.74
12	Inflation rate 5%	Over 5 yrs.	3.73	3.67	3.74
13	Inflation rate 10%	Up to 5 yrs.	3.30	3.14	2.59
14	Inflation rate 10%	Over 5 yrs.	3.57	3.51	3.59
15	Debs &	5 years	13.04	13.04	11.70
16	Loans	15 years	12.28	12.29	11.32
17		25 years	12.27	12.28	10.98
18	Preference†		11.00	11.00	10.26

‡Opening index 2355.6; 10 am 2365.4; 11 am 2363.7; Noon 2361.2; 1 pm 2362.9; 2 pm 2357.7; 3 pm 2356.2; 3.30 pm 2359.5; 4 pm 2370.8 (a) 4.59pm (b) 9.02am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	95	4
Corporations, Dominion and Foreign Bonds	1	11	28
Industrials	519	210	885
Financial and Properties	234	93	370
Oils	36	11	46
Plantations	3	0	7
Mines	39	52	69
Others	80	53	117
Totals	913	525	1,526

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	-	101	97	Abtrust New Thai Inv.	101	+1	-	-	-	-
$	F.P.	-	61	45	Do. Warrants	56		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
-							
98.94							
89.65							
¶99.68							
$							
100							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
11	Nil	-	1½pm	½pm	¶Audio Fidelity 10p	1¼pm	
18	Nil	-	9pm	6¼pm	Aviva Petroleum	7¼pm	
100	Nil	-	8pm	4pm	Medirace 10p	4pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Jan 8
● Last Dealings Jan 19
● Last Declarations Apr 5
● For settlement Apr 17

For rate indications see end of London Share Service

Calls in ASDA, Control Sec., Eurotunnel units, Hyman, Stanley Miller, Mountleigh, Pentland, Premier Cons., Rolls-Royce. Put in De Beers. Put and call in Eurotunnel units.

LONDON TRADED OPTIONS

Nervousness about the stock market's next move and the lower turnover yesterday in equities gave traded options dealers a quieter session. Activity in the FT-SE 100 index option fell back, though dealing in a limited number of selected stock options provided some interest.

Total market turnover amounted to 28,113 contracts, compared with 40,881 on Monday. The FT-SE cash index's 24 point gain prompted greater dealing in calls rather than puts. This was reflected in the day's total turnover, which was split between 19,218 calls and 8,895 puts.

The FT-SE index option was the busiest contract, though yesterday's business was half that of Tuesday's. Investors preferred to deal in smaller sizes, as the cash index swung within an 18 point range. The index option traded 6,285 contracts, of which 2,873 were calls and 3,412 puts. The busiest series was the January 2,400 call, which turned over 783 contracts.

The stock market's recent losses followed by yesterday's rise led to an increase in the implied volatility of FT-SE calls. One analyst said this reflected a shift in sentiment towards the idea that the equity market could rebound still further from the losses posted last week.

Among the stock options, British Steel was the most active, where a UK house was said to have bought 500 January 135 calls at 3¼p and 250 April 145 calls at 5p. Total market turnover amounted to 1,938 contracts, of which 1,738 were calls and 200 puts. A purchase by Citicorp of 500 May 240 Hanson calls at 12½p made it a busier stock. Hanson traded 1,332 lots, of which 1,177 were calls and 155 puts.

Of the other busy contracts, Cable and Wireless traded 1,251 lots, of which 871 were calls and 380 puts. The April 550 call was the busiest and traded 323 contracts.

In spite of yesterday's lower turnover, the latest open interest figures show that, until Tuesday, the number of contracts outstanding continued to increase. Total market open interest at the close of business on Tuesday stood at 873,745 contracts, compared with 863,377 on Monday, while FT-SE open interest rose to 111,785 from 109,742.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*510)	500	14	43	53	5	19	25
	550	1	17	30	45	47	51
	600	1	8	-	95	95	-
ASDA (*115)	110	7	14½	20	3½	7½	10
	120	3	9	15	10	13	15
Brit. Airways (*214)	200	15	25	29	1	6	11
	220	2½	14	18	10	14	19
	240	1	8	12	28	29	30
Trafalgar (*367)	360	-	38	47	-	19	28
	377	5	-	-	15	-	-
Utd Biscuits (*354)	330	25	37	46	1½	8	11
	360	4	20	29	11	22	24
Unilever (*679)	650	32	55½	76	2	13½	18
	700	2	25¼	46	24¼	35¼	40
Ultramar (*367)	360	12	30	43	5	18	23
	390	2	18	27	28	35	38

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Thames Water (*157)	130	29	32	35	½	¼	1½
	140	19	22	26	1	1½	4½
	160	2½	9	13½	4	10	11
Water Hldg Pkg (*£1583)	1550	50	100	145	25	50	60
	1600	20	80	120	60	70	80
	1650	10	55	90	80	90	100

UK COMPANY NEWS

Ten-pin bowling helps First Leisure hit £25m

By Andrew Bolger

TEN-PIN BOWLING helped First Leisure to once again strike all the right notes in the *City yesterday when it* reported a 25 per cent increase to £25.2m in pre-tax profits for the year to October 31. Turnover was up 13 per cent at £91.7m.

Lord Delfont, chairman, said the success of the Super Bowl centres was the main factor behind the 58 per cent growth in pre-tax profits of the entertainment group's sports division to £7.46m.

The dancing division saw profits increase by 20 per cent to £10.3m and four large new discotheques were added at a total cost of £14m. Three more were under construction, one was in the development stage and 15 other sites had been targetted.

The resorts division – which *includes the Blackpool Tower* and Winter Gardens and the piers at Blackpool, Yarmouth, Eastbourne, Southsea and *Llandudno – saw profits grow* by 10 per cent to £12.5m.

However, Mr John Conlan, chief executive, said those figures had been depressed by the disposals of pubs and arcades, *and on a like-for-like basis* profits growth in that division had been about 15 per cent.

Profits from the theatres division dipped to £1.21m (£1.3m), largely because changes of productions in the first half. However, Aspects of Love is now established at the Prince of Wales and Anything Goes at the Prince Edward and Lord Delfont said those productions were expected to produce good profits for some considerable time.

Earnings per share rose by 33 per cent to 13.66p, assisted by a lower tax charge of 25 per cent, compared with 30 per cent last year.

A final dividend of 2.535p makes a total of 3.66p for the year, an increase of 25 per cent.

COMMENT

At a time when leisure analysts are busy marking down their profit forecasts in this sector, First Leisure had no difficulty in exceeding its target of 20 per cent annual profits growth and is confident it can maintain that rate of progress for the next three years. The catch is that the good news is *already in the share price*, which closed up 3p at 232p. Forecast profits of £30m next year put it on a premium rating of 14. Those already aboard will be happy to stick with it, including fund managers who have locked it away for long-term growth. Prospective buyers might conclude there are *better bargains about*, even although First Leisure's continuing capital investment and success in refurbishing the downmarket image of bowling should continue to keep on impressing the City.

A wheeler-dealer steers into harbour

Andrew Hill looks at the closing stages of the Stena/Tiphook bid for Sea Containers

FOR A bid *originally* codenamed "bearhug" there has been little physical *contact during the hostile offer* for Sea Containers.

Since Tiphook, the UK container rental company, and Stena, the private Swedish ferry operator, launched their bid in the US last May, the forces of predator and prey have been spread out between London and Bermuda, Gothenburg, Washington DC and New York.

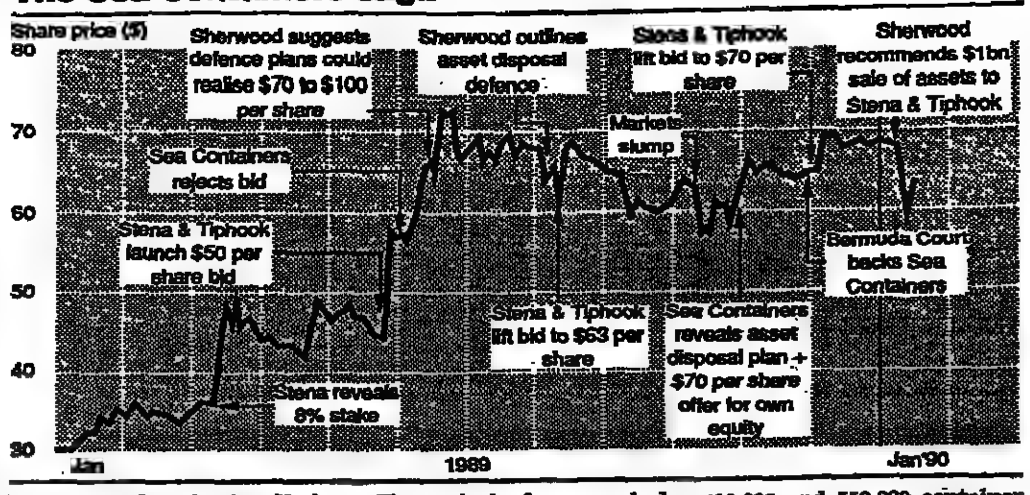
Teams of company lawyers *and investment bankers* have confronted one another across the continents and courtrooms in a struggle which has lasted nearly nine months. Sea Containers has resorted to complaints to the European Commission, accusations that Stena's founder once traded illegally with the Eastern bloc, and, more *practically*, a $1.1bn defensive programme of asset disposals.

Yet the *two sides'* managements have not met face to face since the offer was launched.

But today, 237 days on, Sea Containers' president, Mr James Sherwood, is gathering his international board of directors to recommend that they accept Tiphook and Stena's offer to buy most of the group's ferries and containers for about $1bn. If agreed by *directors and shareholders* – and not scuppered by legal objections from the original buyers lined up *for* those assets – the hostile bid will lapse.

Mr Sherwood has often seemed to dictate the progress of the Sea Containers saga, revealing his strategy piecemeal to the press. True to his reputation as a formidable wheeler-dealer, it is money which has eventually swayed his apparently unshakeable resolve. The latest Stena/Tiphook proposals – delivered to Sea Containers' investment

The Sea Containers saga



bankers by Stena's New York lawyers a week ago – are worth more than the predators' first two bids for the whole group.

Tiphook is to pay $537m in cash for the group's dry cargo containers, its chassis and its tank container leasing and forwarding business. Stena is to put up $430m and hand over some $53m worth of Sea Containers shares for most of the Sealink ferry business. Its *original offer for the whole ferry* operation, plus sundries such as Sea Containers' stake in *Orient-Express Hotels, was just* $398m.

Broadly the arrangement looks like a vindication of Mr Sherwood's stolid resistance to the Stena/Tiphook overtures. The impression that highly paid litigators have been put through their paces to no effect is probably misguided. After months apparently becalmed in Bermuda, where Sea Containers is registered, it was the supreme court's crucial November decision favouring Sea Containers, that allowed *the bid to set sail on the final* leg of the nine-month voyage.

The arrival of a new deal, *which took the markets by surprise*, is also altering observers' expectations of the wide-ranging changes in the worldwide shipping and container industry which were always bound to emerge from this bid.

● Under the new proposals, Tiphook would join the giants of the container rental industry Genstar and Itel Corporation. Sea Containers' basic dry cargo containers were *originally earmarked for Genstar*, in a deal which would have made the group by *far* the *world's largest container rental* company. If Tiphook now buys those assets then it will join the elite, each owning between 400,000 and 550,000 container units.

● Happily for Tiphook's UK shareholders, the new deal would leave the group's borrowings almost untouched at 2½ times shareholders' funds. Tiphook had already set up funding for the original bid with a two-stage rights issue and borrowing facilities, but under the asset purchase agreement, the UK group would not be burdened with an *estimated* $300m of debt attached to the container business.

● *Stena* plans to buy the best-travelled of Sealink's cross-Channel routes – Dover/Calais and Folkestone/Boulogne – plus the Irish Sea service and the Harwich/Hook of Holland route, already shared with Sealink, thus establishing a European foothold south of its existing Baltic ferry operations.

Stena is faced with the challenge of introducing its cruise-style service on the much shorter Channel crossings without losing the regular customers who tolerate more basic facilities. When Mr Sherwood himself attempted to upgrade the Sealink service to the Channel Islands three years ago he nearly brought the whole group to its knees.

● Sea Containers' position is perhaps the most intriguing of the three.

The original defensive plan to sell $1.1bn of assets would have left the principal Sealink routes in Sea Containers' hands. Under the Stena/Tiphook proposals the group *will* control a less ordered selection of operations, including some development land, the 42 per cent Orient-Express stake, the Hoverspeed hovercraft service, Sealink's Isle of Wight ferry routes and the valuable refrigerated and specialised containers.

"We're going to end up with a business that's going to earn $10 a share in 1991, and we're also going to have quite a lot of cash which will be forming part of a recapitalisation," said Mr Sherwood this week.

Arbitrageurs are now awaiting details of this new recapitalisation, expected to match the original $70-a-share defensive plan. Sherwood *loyalists*, on the other hand, who have seen the tycoon build the business from *nothing*, and *more* than double Sea Containers' share price in the last year through sheer determination, will be looking to the longer term and wondering what the great optimist will make from his diminished empire.

Mr Dan Sten Olsson, chief executive of Stena, confirmed yesterday that *Mr Rudolph Agnew, former chairman of* Consolidated Gold Fields, would join the board of Sealink British Ferries if the Swedish ferry operator bought the business.

***Mr Agnew, who became a non-executive director of* Hanson when the conglomerate bought Gold Fields for £3.5bn last year, has been advising Stena on its joint bid for Sea Containers for the last three months.**

Stena and Tiphook, the UK container rental company, announced their proposal to buy most of Sea Containers ferry and container assets on Monday and it is likely to be approved by Sea Containers' directors today.

Saatchi shares fall on account loss

By Alice Rawsthorn

SAATCHI & SAATCHI, the marketing group, yesterday *saw £19m wiped off its market* capitalisation when its shares fell 12p to 242p on news of a $70m (£42.2m) account loss in the US.

Saatchi's shares were also depressed by unconfirmed City rumours that it is about to announce redundancies at its main London advertising agency.

Backer Spielvogel Bates, one of Saatchi's US agencies, has lost the $70m corporate advertising account for Prudential Corporation of America, the financial group, to Lowe-Marschalk, the US agency owned by Lowe Group, another UK marketing concern.

Lowe's shares rose by 18p to 433p when the news broke yesterday. The Prudential account is the biggest single piece of new business the group has ever won.

Last summer Lowe converted its minority interest in Lowe- Marschalk to full control. It acquired the remaining 70 per cent held by Interpublic, the US marketing group, which, in turn, increased its holding in Lowe.

The account loss comes at a difficult time for Saatchi, which is restructuring its interests – under a new senior management team – after tumbling into a loss last year.

Re-listing refusal incenses BOM chief

MR MICHAEL Lucas, the embattled chairman of BOM Holdings, yesterday attacked the Stock Exchange for its refusal to re-list the controversial property, oil and retailing business earlier this month, writes Vanessa Houlder.

"Unless the Stock Exchange is a law unto itself it cannot dump 20,000 shareholders and cannot by implication vilify me . . ." he said.

Mr Lucas said that in spite of six meetings with the exchange, he was never told why the shares were suspended in December 1988 and several restructuring proposals were turned down. The exchange has indicated that it was not satisfied by the information provided.

Some shareholders are pressing for a Department of Trade and Industry investigation. This follows the announcement that BOM has sold its main asset – land at Kingsnorth in Kent – for £12m and a 20 per cent stake in Surelaunch, a private company which acquired the land. Shareholders are incensed that this land was sold at a small fraction of the £75m which Mr Lucas said it was worth, with planning permission, a year ago.

Discussions with at least 20 potential buyers about the land – valued by three surveyors at between £9m and £13m last year – had been unsuccessful, said Mr Lucas. Pressure from banks had forced the sale.

Trilion pays dividend after two-year break

TRILION, the television and production company, yesterday said it was restoring dividend payments after a two-year break and had moved back into the black in the year to end-September 1989, writes Clare Pearson.

Trilion made a pre-tax profit of £1.13m, compared with a loss of £602,000. It proposes to pay a 0.5p dividend for the year. The shares rose 4p to 49p yesterday.

Proceeds of the sale of Trilion's Dockland studios, which were received in March, meant borrowings were repaid and interest income earned during the second half of the year. The interest position changed from a debit of £1.69m in 1988 to a credit of £296,000.

The pre-tax line was also helped by a £546,000 (£256,000) exceptional credit, arising from the sale of a 9.5 per cent stake in Broadcast Communications, the maker of Channel Four's Business Daily programme which was acquired by the Guardian and Manchester Evening News last autumn.

Earnings per share were 1.8p (1.5p loss). Turnover stood at £13.65m, against £16.1m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Barbour Index	int	2‡‡	Apr 6	1.25*	-	4.75*
Burndene Invs	fin	5.5	-	5	8	7
Dalepak Foods	int	1.035	-	0.9	-	3
Electron House	int	2.75	Apr 6	2.5	-	5.5
First Leisure	fin	2.535	Apr 9	2.08	3.66	2.93
G'more American	int	2.5†	-	-	-	3.3
Lookers	fin	4.2	-	3.7	6.2	5.35
Primadona	int	1.5	-	1.25	-	2.75
Shield	int	nil	-	1	-	1
Trilion §	fin	0.5	-	nil	0.5	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡‡Partly to reduce disparity with final. †For nine months.

Rockware revises profits estimate down by £3m

By Maggie Urry

ROCKWARE, the glass and plastics packaging group, warned yesterday that its profits for 1989 would be lower than it had expected, although still up on the previous year.

Pre-tax profit would be of the order of £10.5m, up from a restated £9.2m in 1988, but that was £3m below its earlier hopes.

Mr Anthony Hargreaves, finance director, said 1990 should see a recovery from the problems experienced in 1989. The shares fell 3p to 51p.

Analysts had been looking for profits in the £13m-£14m region, having revised down earlier hopes of about £17m. At the half-year stage the group made 52 per cent more at £5.9m. On a £10.5m profit and a 17 per cent tax charge, fully diluted earnings for 1989 would be 4.7p (6.25p) per share.

Rockware blamed two problems for the lower-than-expected profits. Over £2m of the £3m were trading losses from its flexible packaging division which had suffered in a depressed market, with volumes down and raw material costs high. As a result the group had closed its Swindon factory and transferred the machinery and business to South Wales.

The Swindon factory had been sold for a price which more than covered closure costs. Mr Hargreaves said there would be a £200,000 exceptional credit in the 1989 figures.

The other problem had been in the glass division, which Rockware had expanded late in 1988 by the acquisition of CWS Glass from the Co-operative Wholesale Society. The group had been planning repairs to some of its furnaces during 1990 but faults had appeared and so repairs had been brought forward.

That meant the furnaces were out of action when demand for bottles was strong, and Rockware lost around £1m of profits as a result.

Norfolk Capital dissidents criticised

By Andrew Hill

Three directors of Norfolk Capital Group, the hotel company facing a management coup by Balmoral International and a boardroom split, have criticised fellow directors for wanting to appoint Balmoral's managing director to the hotel company's board.

The dissident directors – Lady Joseph and Mr Tony Good – will vote to elect Mr Peter Tyrie, a hotelier, as a non-executive director at a special shareholder meeting at the end of this month.

In a letter to shareholders, Mr Tony Richmond-Watson, Norfolk's chairman, said Mr Tyrie's appointment would be "seriously detrimental" to the company, because of fundamental conflicts of interest between the objectives of Balmoral and Norfolk.

Mr Tyrie heads a trio of Balmoral executives, who want to oust Norfolk's managing director and manage the company under a five-year contract.

GENMIN GROUP

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 31 DECEMBER 1989

All companies mentioned are incorporated in the Republic of South Africa

- **Working profit up 7% to R194 million**
- **Working costs per kilogram reduced by 2,2%**

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Restoration of Margaret Shaft complete

Issued capital — 13 062 920 shares of 50 cents each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Mined	(m²)	81 222	84 918	193 875
Ore milled — underground	(t)	281 000	238 000	888 000
— surface dumps	(t)	247 000	287 000	1 049 000
— total	(t)	528 000	525 000	1 937 000
Yield — underground	(g/t)	4,0	4,1	4,3
— surface dumps	(g/t)	0,9	1,0	1,0
— combined	(g/t)	2,5	2,4	2,5
Gold produced	(kg)	1 333	1 246	4 915
Working revenue	(R/kg)	32 815	32 374	32 150
Working costs	(R/kg)	29 595	31 009	29 607
	(R/t milled)	74,72	73,59	75,13
Working income	(R/kg)	3 220	1 365	2 543
Gold price received	(R/kg)	32 815	32 324	32 115
	($/oz)	387	367	381
FINANCIAL RESULTS (R'000)				
Working revenue		43 743	40 338	158 017
Working costs		39 450	38 637	145 518
Working income		4 293	1 701	12 499
Sundry income — net		2 108	2 108	6 750
Proceeds of insurance claim		—	126	2 146
Tribute payments — net		564	759	3 731
Income before taxation and State's share of income		5 837	3 176	17 664
Taxation and State's share of income		762	337	3 087
Dividend received — Chemwes		5 200	—	29 200
Income after taxation and State's share of income		10 275	2 839	43 777
Capital expenditure/(recoupment)		(297)	89	277
Dividend declared		16 982	—	43 108

DEVELOPMENT		Quarter ended 31.12.1989 Vaal Reef	V.C.R.	Quarter ended 30.9.1989 Vaal Reef	V.C.R.	Year ended 31.12.1989 Vaal Reef	V.C.R.
Advanced	(m)	802	900	800	466	3 187	1 565
Advanced on reef	(m)	81	280	134	207	758	627
Sampled	(m)	85	260	126	225	718	605
Channel width	(cm)	10	44	10	38	11	43
Average value — gold	(g/t)	119,2	6,2	124,6	7,8	115,7	8,6
	(cm.g/t)	1 192	275	1 246	311	1 257	370
— uranium	(kg/t)	3,012	0,129	1,736	0,151	2,370	0,166
	(cm.kg/t)	30,12	5,72	17,36	5,80	24,86	7,24

REMARKS
- Estimated capital expenditure for the next six months — R1,7 million.
- Final dividend No. 71 of 130 cents per share was declared.
- At Margaret Shaft the re-installation of steelwork to the shaft bottom has been completed and normal hoisting has resumed.
- In view of the virtual depletion of Vaal Reef ore reserves, the mine is increasingly dependent on the lower grade V.C.R. The V.C.R. has proved to be highly erratic in value and it is expected that this will lead to a reduction in gold output in 1990.

Chemwes Limited

Company Registration No. 84/02378/06
(A subsidiary of Stilfontein Gold Mining Company Limited)

Issued capital — 1 000 shares of R1 each.

FINANCIAL RESULTS (R'000)	Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Uranium			
Net income after taxation	1 805	1 784	6 596
Capital recoupment	55	—	80
Dividend declared	6 500	—	36 500

REMARKS
- A final dividend of R6,5 million was declared.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33834/06

Costs well contained

Issued capital — 11 000 000 ordinary shares of R1 each.
— 12 400 188 cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	6 months ended 31.12.1989
Gold				
Mined	(m²)	134 839	130 589	265 428
Ore milled	(t)	596 000	585 000	1 181 000
Yield	(g/t)	6,2	6,2	6,2
Gold produced	(kg)	3 700	3 651	7 351
Working revenue	(R/kg)	32 703	32 374	32 539
Working costs	(R/kg)	26 474	26 380	26 427
	(R/t milled)	164,35	164,64	164,49
Working income	(R/kg)	6 229	5 994	6 112
Gold price received	(R/kg)	32 703	32 311	32 508
	($/oz)	385	369	377
Uranium				
Pulp treated	(t)	596 000	585 000	1 181 000
Oxide produced	(t)	85	100	185
Yield	(kg/t)	0,14	0,17	0,16
FINANCIAL RESULTS (R'000)				
Gold — Working revenue		121 000	118 197	239 197
— Working costs		97 953	96 313	194 266
— Working income		23 047	21 884	44 931
Uranium — Working income		7 660	6 508	14 168
Sundry income — net		4 302	4 254	8 556
Tribute payments — net		3 647	4 209	7 856
Income before taxation and State's share of income		31 362	28 437	59 799
Taxation and State's share of income		17 582	14 399	31 981
Dividend received — Chemwes		—	6 000	6 000
Share of income — Beatrix mine		2 476	1 905	4 381
Income after taxation and State's share of income		16 256	21 943	38 199
Capital expenditure		818	3 134	3 952
Dividends declared — ordinary shares		33 000	—	33 000
— preference shares		13 000	10 000	23 000
DEVELOPMENT — Vaal Reef and limited 'C' Reef				
Advanced	(m)	5 914	5 759	11 673
Advanced on reef	(m)	607	468	1 075
Sampled	(m)	460	376	836
Channel width	(cm)	78	72	75
Average value — gold	(g/t)	10,3	16,2	13,3
	(cm.g/t)	805	1 169	969
— uranium	(kg/t)	0,253	0,440	0,343
	(cm.kg/t)	19,62	31,09	24,78

REMARKS
- Estimated capital expenditure for the next six months — R4,4 million.
- Interim dividend No. 85 of 300 cents per ordinary share and No. 11 of R13 million in respect of the preference shares were declared.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Yield up and costs down

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	6 months ended 31.12.1989
Mined	(m²)	118 476	123 999	242 475
Ore milled	(t)	532 000	544 000	1 076 000
Yield	(g/t)	6,2	6,0	6,1
Gold produced	(kg)	3 300	3 264	6 564
Working revenue	(R/kg)	32 226	32 153	32 190
Working costs	(R/kg)	19 093	19 721	19 405
	(R/t milled)	118,44	118,33	118,38
Working income	(R/kg)	13 133	12 432	12 785
Gold price received	(R/kg)	32 218	32 101	32 160
	($/oz)	375	366	371
FINANCIAL RESULTS (R'000)				
Working revenue		106 345	104 947	211 292
Working costs		63 008	64 369	127 377
Working income		43 337	40 578	83 915
Sundry income — net		4 188	2 291	6 479
Royalty payments — Beatrix Mines Limited		15 952	15 742	31 694
Income before taxation		31 573	27 127	58 700
Provision for taxation		14 706	12 947	27 653
Taxation saving — Buffelsfontein		—	—	—
Income after taxation		16 867	14 180	31 047
Capital appropriation		2 198	2 253	4 451
Dividend on preference shares		13 000	10 000	23 000
DEVELOPMENT — Beatrix Reef				
Advanced	(m)	8 587	9 289	17 876
Advanced on reef	(m)	2 396	2 783	5 179
Sampled	(m)	2 313	2 249	4 562
Channel width	(cm)	69	53	61
Average value — gold	(g/t)	11,6	12,5	12,0
	(cm.g/t)	797	662	731

REMARKS
- Estimated capital expenditure for the next six months — R4,5 million.
- The attention of shareholders is drawn to the quarterly report of Beatrix Mines Limited, which appears elsewhere in this edition.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01578/06

First dividend in 2 years

Issued capital — 4 250 000 ordinary shares of R1 each.
— 25 000 deferred shares of R2 each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Mined	(m²)	28 600	26 061	109 286
Ore milled — underground	(t)	114 000	86 000	384 000
— surface dumps	(t)	111 000	130 000	612 000
— total	(t)	225 000	216 000	996 000
Yield — underground	(g/t)	4,7	5,8	5,0
— surface dumps	(g/t)	0,5	0,5	0,5
— combined	(g/t)	2,6	2,6	2,2
Gold produced	(kg)	588	562	2 215
Working revenue	(R/kg)	32 804	32 479	32 172
Working costs	(R/kg)	28 856	28 890	32 667
	(R/t milled)	75,44	75,17	72,85
Working income/(loss)	(R/kg)	3 948	3 589	(495)
Gold price received	(R/kg)	32 706	32 398	32 081
	($/oz)	385	370	383
FINANCIAL RESULTS (R'000)				
Working revenue		19 289	18 253	71 262
Working costs		16 973	16 236	72 357
Working income/(loss)		2 316	2 017	(1 095)
Sundry income — net		1 731	1 570	5 060
Tribute and royalty payments — net		540	1 550	2 090
Income before taxation		3 507	2 037	1 875
Taxation		—	—	—
Income after taxation		3 507	2 037	1 875
Capital recoupment		36	83	823
Dividends declared		2 267	—	2 267
DEVELOPMENT				
Advanced	(m)	1 036	832	3 820
Advanced on reef	(m)	550	560	2 208
Sampled	(m)	561	559	2 070
Channel width	(cm)	155	163	165
Average value — gold	(g/t)	14,8	9,4	9,3
	(cm.g/t)	2 299	1 530	1 540

REMARKS
- Estimated capital expenditure for the next six months — R0,2 million.
- Dividend No. 113 of 40 cents per ordinary share and No. 104 of R22,67 per deferred share were declared.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Improved profits

Issued capital — 11 438 816 stock units of 25 cents each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Mined	(m²)	42 347	42 193	165 186
Ore milled — underground	(t)	190 000	174 000	821 000
— surface dumps	(t)	20 000	13 000	53 000
— total	(t)	210 000	187 000	874 000
Yield — underground	(g/t)	4,3	4,1	3,8
— surface dumps	(g/t)	1,3	1,3	0,8
— combined	(g/t)	4,1	3,9	3,6
Gold produced	(kg)	852	738	3 171
Working revenue	(R/kg)	32 479	32 565	31 982
Working costs	(R/kg)	27 818	32 233	30 680
	(R/t milled)	112,86	127,21	111,20
Working income	(R/kg)	4 661	333	1 302
Gold price received	(R/kg)	32 389	32 462	31 870
	($/oz)	375	370	384
FINANCIAL RESULTS (R'000)				
Working revenue		27 672	24 034	101 919
Working costs		23 701	23 788	97 191
Working income		3 971	246	4 128
Sundry income — net		1 009	840	3 388
Tribute receipts — net		161	305	234
Income before taxation		5 135	1 391	7 750
Taxation		661	714	1 871
Income after taxation		4 474	677	5 879
Capital recoupment		210	5	210
Dividend declared		3 432	—	4 004

DEVELOPMENT		Q. ended 31.12.1989 Black Reef	Kimberley Reef	Main Reef	UK9 Reef	Q. ended 30.9.1989 Black Reef	Kimberley Reef	Main Reef	UK9 Reef	Year ended 31.12.1989 Black Reef	Kimberley Reef	Main Reef	UK9 Reef
Advanced	(m)	238	1 934	—	—	243	2 182	—	7	765	8 253	253	354
Advanced on reef	(m)	111	1 180	—	—	132	1 560	—	—	378	5 043	156	177
Sampled	(m)	96	1 179	—	—	113	1 542	—	—	330	5 003	156	163
Channel width	(cm)	138	16	—	—	167	23	—	—	159	20	28	243
Average value — gold	(g/t)	3,5	22,8	—	—	8,9	16,8	—	—	9,6	20,0	11,5	0,7
	(cm.g/t)	486	365	—	—	1 482	384	—	—	1 531	400	321	157

REMARKS
- Estimated capital expenditure for the next six months — R0,3 million.
- Final dividend No. 102 of 30 cents per stock unit was declared.

Marievale mine

(A division of Randex Limited)

Continued reduction of operations

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	6 months ended 31.12.1989
Mined	(m²)	9 405	11 055	20 460
Ore milled — underground	(t)	40 000	54 000	94 000
— surface dumps	(t)	8 000	40 000	48 000
— total	(t)	48 000	94 000	142 000
Yield — underground	(g/t)	3,3	2,9	3,1
— surface dumps	(g/t)	0,7	0,7	0,7
— combined	(g/t)	2,9	2,0	2,3
Gold produced	(kg)	139	188	325
Working revenue	(R/kg)	32 533	32 371	32 440
Working costs	(R/kg)	39 619	38 253	38 837
	(R/t milled)	114,73	75,89	88,89
Working loss	(R/kg)	(7 086)	(5 882)	(6 397)
Gold price received	(R/kg)	32 536	32 272	32 385
	($/oz)	384	378	376
FINANCIAL RESULTS (R'000)				
Working revenue		4 522	6 021	10 543
Working costs		5 507	7 115	12 622
Working loss		(985)	(1 094)	(2 079)
Sundry income — net		447	240	687
Loss before taxation		(538)	(854)	(1 392)
Capital expenditure		—	—	—
DEVELOPMENT				
Advanced	(m)	119	283	402
Advanced on reef	(m)	91	211	302
Sampled	(m)	90	208	298
Channel width	(cm)	110	96	103
Average value — gold	(g/t)	4,8	5,3	5,1
	(cm.g/t)	534	521	522

REMARKS
- Estimated capital expenditure for the next six months — Nil.
- The mining of drive and haulage pillars has started as most other ore reserves are now exhausted. This should lead to a return to profitability as operations are wound down.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Good cost reduction

Issued capital — 9 625 000 ordinary shares of R1 each.
— 3 625 035 'A' cumulative preference shares of R1 each.
— 3 625 025 'B' cumulative preference shares of R1 each.
— 2 485 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Mined	(m²)	119 709	117 217	451 380
Ore milled	(t)	478 000	500 000	2 048 000
Yield	(g/t)	5,7	5,3	5,2
Gold produced	(kg)	2 710	2 655	10 715
Working revenue	(R/kg)	32 586	32 485	32 103
Working costs	(R/kg)	26 579	27 640	27 221
	(R/t milled)	150,69	146,77	142,42
Working income	(R/kg)	6 007	4 845	4 882
Gold price received	(R/kg)	32 586	32 360	32 067
	($/oz)	385	367	379
FINANCIAL RESULTS (R'000)				
Working revenue		88 309	86 248	343 981
Working costs		72 030	73 384	291 672
Working income		16 279	12 864	52 309
Sundry income — net		2 659	2 449	10 764
Income before taxation and State's share of income		18 938	15 313	63 073
Taxation and State's share of income		1 701	1 498	5 370
Income after taxation and State's share of income		17 237	13 815	57 703
Taxation offset on Oryx capital expenditure		9 837	5 159	23 517
Attributable to ordinary shareholders		7 400	8 656	34 186
Capital expenditure		382	2 752	5 164
Dividend declared		13 956	—	23 356

DEVELOPMENT		Quarter ended 31.12.1989 Basal Reef	Leader Reef	Quarter ended 30.9.1989 Basal Reef	Leader Reef	Year ended 31.12.1989 Basal Reef	Leader Reef
Advanced	(m)	3 520	302	2 680	104	12 561	915
Advanced on reef	(m)	612	156	513	69	1 835	466
Sampled	(m)	629	188	557	58	1 800	430
Channel width	(cm)	110	122	120	147	115	175
Average value — gold	(g/t)	7,8	4,1	7,0	4,2	7,8	3,8
	(cm.g/t)	860	500	845	618	908	660

REMARKS
- Estimated capital expenditure for the next six months — R4,2 million.
- Final dividend No. 69 of 145 cents per ordinary share was declared.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Steady progress

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989	Year ended 31.12.1989
Basal Reef				
Ore milled	(t)	24 392	24 880	88 952
Gold produced	(kg)	52	56	199
FINANCIAL RESULTS (R'000)				
Net income after taxation		2 527	801	4 611
Capital expenditure		58 872	74 936	243 507

SHAFT SINKING
Sinking of the subvertical ventilation shaft progressed to 110 metres below 8 level.

CONSTRUCTION
Underground development advanced 186 metres (previous quarter 285 metres) and excavation of 11 534 cubic metres (previous quarter 17 818 cubic metres) was completed.
Equipping of the main subvertical headgear is in progress.

REMARKS
- Capital expenditure is financed by loans from Oryx Gold Holdings Limited.
- To date capital expenditure of R402 million has been committed, of which R392 million has been spent.
- The attention of shareholders is drawn to the quarterly report of Oryx Gold Holdings Limited, which appears elsewhere in this edition.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Improved yield

Issued capital — 28 000 000 shares of no-par value.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989
Mined	(m²)	45 001	44 108
Ore milled	(t)	261 000	268 000
Yield	(g/t)	6,2	6,0
Gold produced	(kg)	1 620	1 609
Working revenue	(R/kg)	32 933	32 379
Working costs	(R/kg)	19 127	18 682
	(R/t milled)	118,72	112,16
Working income	(R/kg)	13 806	13 697
Gold price received	(R/kg)	32 863	32 259
	($/oz)	387	369
FINANCIAL RESULTS (R'000)			
Working revenue		53 352	52 098
Working costs		30 985	30 060
Working income		22 367	22 038
Sundry income — net		1 829	4 534
Milling fee paid		1 760	1 716
Income before taxation and State's share of income		22 436	24 856
Taxation and State's share of income		10 566	11 939
Income after taxation and State's share of income		11 870	12 917
Capital expenditure		2 584	4 354
Dividend declared		—	16 800

DEVELOPMENT		Quarter ended 31.12.1989 Basal Reef	Leader Reef	Middle Reef	Quarter ended 30.9.1989 Basal Reef	Leader Reef	Middle Reef
Advanced	(m)	2 891	79	—	3 167	168	40
Advanced on reef	(m)	133	30	—	59	96	7
Sampled	(m)	114	18	—	128	73	7
Channel width	(cm)	136	256	—	143	201	96
Average value — gold	(g/t)	7,7	2,7	—	7,3	2,7	8,4
	(cm.g/t)	1 044	688	—	1 046	544	811

REMARKS
- Estimated capital expenditure for the next six months — R6,0 million.
- A study into the feasibility of increasing production from the Basal Reef is under way.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Shaft pillar extraction started

Issued capital — 14 000 000 shares of 90 cents each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989
Mined	(m²)	43 053	39 683
Ore milled	(t)	145 000	154 000
Yield	(g/t)	3,6	3,5
Gold produced	(kg)	520	537
Working revenue	(R/kg)	32 685	34 009
Working costs	(R/kg)	31 100	30 223
	(R/t milled)	111,53	105,39
Working income	(R/kg)	1 585	3 786
Gold price received	(R/kg)	32 686	32 397
	($/oz)	387	370
FINANCIAL RESULTS (R'000)			
Working revenue		16 996	18 263
Working costs		16 172	16 230
Working income		824	2 033
Sundry income — net		834	2 123
Tribute and royalty payments — net		—	3
Income before taxation and State's share of income		1 658	4 153
Taxation and State's share of income		429	569
Income after taxation and State's share of income		1 229	3 584
Capital expenditure		186	676
Dividend declared		—	4 200
DEVELOPMENT — Kimberley Reef			
Advanced	(m)	467	486
Advanced on reef	(m)	174	126
Sampled	(m)	173	127
Channel width	(cm)	29	9
Average value — gold	(g/t)	27,0	51,9
	(cm.g/t)	783	467

REMARKS
- Estimated capital expenditure for the next six months — R0,5 million.
- Mining in the shaft pillar started during the quarter. Normal shaft operation has been planned for during and after the pillar extraction phase.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Tight cost control

Issued capital — 18 000 000 shares of 65 cents each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989
Mined	(m²)	44 047	42 680
Ore milled	(t)	172 000	176 000
Yield	(g/t)	4,3	4,0
Gold produced	(kg)	742	701
Working revenue	(R/kg)	32 315	33 514
Working costs	(R/kg)	25 582	27 638
	(R/t milled)	110,40	110,71
Working income	(R/kg)	6 733	5 876
Gold price received	(R/kg)	32 287	32 827
	($/oz)	377	372
FINANCIAL RESULTS (R'000)			
Working revenue		23 978	23 493
Working costs		18 989	19 374
Working income		4 989	4 119
Sundry income — net		891	2 303
Tribute and royalty payments — net		11	3
Income before taxation and State's share of income		5 869	6 419
Taxation and State's share of income		2 908	1 340
Income after taxation and State's share of income		2 961	5 079
Capital expenditure		614	1 036
Dividend declared		—	6 400
DEVELOPMENT — Kimberley Reef			
Advanced	(m)	1 114	1 137
Advanced on reef	(m)	268	168
Sampled	(m)	267	148
Channel width	(cm)	20	13
Average value — gold	(g/t)	39,0	33,2
	(cm.g/t)	788	442

REMARKS
- Exploration development and drilling to delineate the orebody in the northern block is continuing.
- Estimated capital expenditure for the next six months — R1,3 million.

KINROSS Mines Limited

Company Registration No. 63/06226/06

Production maintained

Issued capital — 18 000 000 stock units of R1 each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989
Mined	(m²)	117 782	124 728
Ore milled	(t)	535 000	536 000
Yield	(g/t)	5,7	5,7
Gold produced	(kg)	3 055	3 050
Working revenue	(R/kg)	31 849	32 746
Working costs	(R/kg)	19 128	18 779
	(R/t milled)	109,23	107,06
Working income	(R/kg)	12 721	13 967
Gold price received	(R/kg)	31 840	32 518
	($/oz)	372	371
FINANCIAL RESULTS (R'000)			
Working revenue		97 298	99 875
Working costs		58 437	57 277
Working income		38 861	42 598
Tribute and royalties — net		364	156
		39 225	42 754
Sundry income — net		4 282	4 532
Income before taxation and State's share of income		43 507	47 286
Taxation and State's share of income		22 172	24 060
Income after taxation and State's share of income		21 335	23 226
Capital expenditure		7 492	10 036
Dividend declared		—	27 000
DEVELOPMENT — Kimberley Reef			
Advanced	(m)	3 302	2 936
Advanced on reef	(m)	1 036	1 082
Sampled	(m)	1 036	1 101
Channel width	(cm)	31	36
Average value — gold	(g/t)	17,7	14,4
	(cm.g/t)	565	517

REMARKS
- Estimated capital expenditure for the next six months — R8,0 million.
- Good progress is being made with the declines.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Improved performance

Issued capital — 12 180 000 shares of R1 each.

OPERATING RESULTS		Quarter ended 31.12.1989	Quarter ended 30.9.1989
Mined	(m²)	133 850	127 921
Ore milled	(t)	535 000	509 000
Yield	(g/t)	5,8	5,6
Gold produced	(kg)	3 080	2 850
Working revenue	(R/kg)	32 262	32 861
Working costs	(R/kg)	21 119	21 620
	(R/t milled)	121,58	121,05
Working income	(R/kg)	11 143	11 241
Gold price received	(R/kg)	32 248	32 421
	($/oz)	377	370
FINANCIAL RESULTS (R'000)			
Working revenue		99 368	93 653
Working costs		65 047	61 616
Working income		34 321	32 037
Sundry income — net		3 870	3 827
Tribute and royalty payments — net		449	247
Income before taxation and State's share of income		37 742	35 617
Taxation and State's share of income		7 320	7 905
Income after taxation and State's share of income		30 422	27 712
Capital expenditure		22 780	17 803
Dividend declared		—	18 270
DEVELOPMENT — Kimberley Reef			
Advanced	(m)	4 054	4 709
Advanced on reef	(m)	961	1 240
Sampled	(m)	880	740
Channel width	(cm)	87	84
Average value — gold	(g/t)	10,5	10,8
	(cm.g/t)	915	906

REMARKS
- Estimated capital expenditure for the next six months — R45,3 million.
- The sinking of the No. 6 Main Shaft has been completed and excavation of pump chambers, settlers and ore passes is in progress. The tonnage output from No 6 Ventilation Shaft has increased to target levels.

NOTES

1. On 17 January 1990 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 2 February 1990. The registers of members of the companies will be closed from 5 February 1990 to 16 February 1990, both days inclusive.
   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 2 March 1990, or the first day thereafter on which a rate of exchange is available.
   Dividend warrants will be posted on 15 March 1990.
   In the case of non-resident shareholders, taxation of 15 percent will be deducted.
   The full conditions of payment may be inspected at or obtained from the registered offices.
2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.
3. All financial figures are unaudited.
4. The quarterly reports have been approved by the respective boards.

Johannesburg, 18 January 1990

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GENCOR
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UK COMPANY NEWS

Olives to sell paper business

By Maggie Urry

OLIVES HOLDINGS, the paper and property group, is at an advanced stage in discussions to sell its Olives Paper Mill paper business. The company said it would give shareholders further details as soon as possible.

The company's shares closed up 2p at 180p yesterday.

Mr Michael Kent, chairman, said the group had been approached by the potential buyer, but could give no other details. He hoped a further announcement could be made in seven to 10 days when a contract had been exchanged.

The paper mill, based in Bury, Lancashire, is one of the longest established independent mills. It makes printing and writing paper and has launched a recycled paper brand, Olives Green.

Olives Paper Mill was the subject of a fierce corporate battle in 1987 when two opposing camps tried to take control. The winner was Mr Kent, who took a controlling stake in the company in return for a cash injection of £3.7m. In June 1988 he merged his private property company with Olives Paper Mill and the group's name was later changed to Olives Holdings.

The latest profit figures from the company, covering the first half of 1989 showed a profit from property of £1.97m but a loss from the paper division of £759,000. This was in part due to reorganisation at the mill, but also to a weakening in demand for paper.

Mr Kent said that since moving into Olives, £3m had been invested in the mill and the workforce was being reduced from 220 to 105 people. The mill has 60 acres of ground, but uses only 14 acres. Olives has already obtained planning permission use some of the surplus land for housing, and may continue to develop it.

Paper companies have suffered recently as they have been unable to pass rising pulp costs on fully to customers in higher prices, thus margins have been squeezed. However, Mr Kent said pulp prices were beginning to soften now.

Download, overheat or link up

Alan Cane runs a cursor over a few of the possible futures for ICL

SPECULATION OVER the future of International Computers (ICL) and its relationship with STC, its parent company, reached a new pitch last week as the ailing Nixdorf of West Germany found safe haven with Siemens, its larger compatriot.

Nixdorf's fate, the argument ran, was also likely to befall the UK's leading computer manufacturer as the profound changes in technology and customer preference now battering every information systems company's balance sheet swept across the European computer landscape.

This view finds little favour with Mr Arthur Walsh, STC chairman and chief executive.

He is irritated by any tendancy to treat ICL, now generating almost half the group's revenue and more than half its profits, as an entity separate from STC. After six years of ownership, he says, the two companies have become a single, coherent group with complementary skills in information systems and telecommunications.

ICL, Mr Walsh says, is not for sale although it is seeking ways to share the continued heavy investment in research and development and to open new market opportunities.

"In the five years I have been at STC, we have spent £1bn on research and development in computers and telecommunications. The result is a range of up-to-date, effective products."

Hard evidence of ICL's commitment to keeping abreast of industry trends is provided by the launch today of a range of medium-sized machines codenamed Unicorn.

Based on high performance microprocessors from the US company Sun Microsystems and using the industry standard operating system Unix, the Unicorn range will give ICL fresh credibility in the all-important mid-range market. This sector is where several hundred manufacturers worldwide are jockeying for position but even International Business Machines (IBM) has failed to establish market dominance.

Unicorn processors will also provide the computing power STC needs to manage and control the digital communications systems that are becoming the bread and butter of the telecommunications business.

Mr Walsh argues that ICL's digital skills have become essential to STC: "We have to keep ICL within STC for two reasons. First, because of the technological capability it represents. Second, because, through its mainframe sales, it has access to the large business customers who are in the market for telecommunications systems."

The company talks continually with its European competitors. With Olivetti of Italy, for example, it has been discussing strategy for common industry standards and the possibility of sourcing personal computers jointly. "But do we need to jump into Olivetti's arms? No," Mr Walsh says bluntly.

He favours a partner for ICL which would provide a new source of technical expertise and points out that Japan is now the centre of technological developments rather than the US or Europe. ICL's strategy is to form links with other companies through a variety of arrangements which can include mergers, joint ventures or cross-shareholdings. In the US, for example, ICL grew by the acquisition of Datachecker.

All of which must give added weight to the current rumour, unconfirmed but tenacious, that Fujitsu, Japan's leading computer manufacturer, is ready to take a stake in ICL.

Fujitsu already provides the chips, customised to ICL's designs, that power its Series 39 large mainframes. The arrangement, now almost a decade old, enabled ICL to remain in the large computer business at moderate cost and was the basis of the UK company's commercial recovery over the past decade.

Last year, ICL contributed £1.4bn to STC's £2.4bn revenues and £129m to its £223m profits and, although it is now in the "close season" before announcing this year's figures, Mr Peter Bonfield, chairman and managing director, says it is making money.

The line between success and disaster in today's computer industry is very fine, however.

Mr Bonfield rejects suggestions that the company could quickly turn into another Norsk Data, which changed technological horses too late, or Nixdorf, which expanded production and marketing overheads to meet a demand which never materialised.

ICL's strategy is based on marketing systems to customers through a direct salesforce. It has no interest, for example, in selling personal computers in volume like Olivetti or IBM. Personal computers are sourced from other manufacturers and sold as terminals for larger systems.

The company's mainframe sales are stable and generate cash but growth is slow. Mr Bonfield's principal hopes for growth include retail industry automation where after the acquisition last year of Datachecker, ICL reckons to be the third largest supplier of point-of-sale systems worldwide.

Its principal geographical weakness is West Germany where it has little market presence. Mr Bonfield does not believe that Siemens' acquisition of Nixdorf will have any effect on ICL's prospects there. "When you are fighting with a giant, it makes little difference whether he is six or 12 feet tall," he concludes ruefully.

Greenwich Resources now 'transformed' says chairman

By Kenneth Gooding, Mining Correspondent

MR COLIN Phipps, who moved in as chairman of Greenwich Resources a year ago after the mining company's banks threatened to pull the plug, said yesterday it had been transformed.

It was back on its feet financially and living within its cash flow.

However, there was a loss of £2.15m, or 6.3p a share, in the year to September 30.

Changes to accounting practices were so substantial that it was meaningless to compare the results with those for the previous 12 months, he suggested.

In the 1987-88 year Greenwich reported a taxable profit of £1.14m, equal to 3.6p per share.

Operations at the Gebeit gold mine in the Sudan, where prospects once sent the Greenwich share price above 300p (compared with 40p, up 1p, last night) but was the principal cause of cash outflow, were being reduced to a care and maintenance basis.

Gebeit's ore grades were much lower than predicted, the gold had been more difficult to recover than expected, and there were reserves for only one year of life.

Talks would take place with the Sudanese partners next month about the mine's future.

Greenwich's key asset was its gold project in Venezuela, said Mr Phipps.

Settlement at Havelock

By Nikki Tait

HAVELOCK EUROPA, the store design and shopfitting group, has reached an out-of-court settlement with Mr Barry Ward, its former managing director, and his brother, Mr Arthur Ward, who also worked for the group until last summer.

Under it, the Wards have paid £40,000 including costs to Havelock in "full and final settlement" of the action.

Mr Barry Ward has also agreed not to be interested in or concerned with any UK shopfitting business until August 1990 and not to solicit former Havelock customers before February 7 1991. Mr Arthur Ward has also agreed not to divulge any confidential information on Havelock to any third party, and not to solicit former customers of the company until February 7.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims– Allied Leisure, Fitch Lovell, Free State Development & Investment, Jarvis, MITIE, Mouldsigh, Stanley Leisure, Symonds Engineering.

Finals– Anglia Television, Colefax & Fowler, Davenport Vernon, Denmans Electrical, Elandsrand Gold, Lloyds Abbey Life, Macarthy, Selective Assets Trust, Soundtrack, South African Land, Vaal Reefs, Welkom Gold, Western Deep Levels, Witan Investment.

FUTURE DATES

Interims–

GT Venture Investment	Feb. 15
Saville Gordon (J)	Jan. 23

Finals–

Central Motor Auctions	Jan. 31
Dewhirst	Apr. 9

PUBLIC WORKS LOAN BOARD RATES

Effective January 16

Years	Quota loans repaid by EPT	At††	at maturity§	Non-quota loans A* repaid by EPT	At††	at maturity§
1			14⅞			15⅛
Over 1 up to 2	14	14	13	15	15	13¾
Over 2 up to 3	13¾	13¼	12⅝	14⅜	14¼	13⅜
Over 3 up to 4	12¾	12⅝	12	13¾	13⅝	12¼
Over 4 up to 5	12½	12¼	11⅞	13¼	13⅛	12⅜
Over 5 up to 6	12¼	12⅛	11¾	12¾	12⅝	12⅛
Over 6 up to 7	12⅛	12	11⅝	12⅝	12½	12⅛
Over 7 up to 8	12	11⅞	11½	12½	12⅜	12
Over 8 up to 9	11⅞	11¾	11⅜	12⅜	12¼	11⅞
Over 9 up to 10	11⅞	11⅝	11⅜	12⅜	12⅛	11⅞
Over 10 up to 15	11½	11⅜	10⅞	12	11⅞	11⅜
Over 15 up to 25	10⅞	10⅞	10⅞	11⅜	11	10⅞
Over 25	10½	10½	10½	11	10⅞	10⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

William Cook adds to castings activities

By David Owen

WILLIAM COOK, the Sheffield-based steel foundry group, is expanding further with the acquisition of Lloyds (Burton) from Triplex Lloyd, the industrial engineering holding company, for up to £6m cash.

The deal will consolidate William Cook's position among leading steel castings manufacturers. Lloyds Burton makes and sells such castings for the valve, engineering, defence and construction sectors.

The deal is to be funded by a 3 for 10 rights issue at 280p, which will raise £12.1m net. The group intends to use the balance to reduce its debt.

Some £5.7m will be paid in cash on completion, with the balance – up to £300,000 – due when accounts are finalised.

William Cook will also assume Lloyds Burton's overdraft of about £5m. Triplex is to retain Lloyds Burton's tube-spinning business.

In the year to March 31, Lloyds Burton reported profit before tax and non-recurring items of £1.6m on £20.4m sales.

The deal continues the series of disposals on which Triplex has embarked since it was formed by the merger of Triplex and FH Lloyd in 1987.

"We concluded that the expenditure on capital plant required for the next stage of (Lloyds Burton's) development was better employed elsewhere in the group," said Mr James Doel, Triplex Lloyd chief executive.

Mr Andrew Cook, William Cook chairman, said some new investment was planned at the Lloyds Burton site, partly due to the transfer of business from the recently-purchased Lake & Elliott Paramount foundry at Braintree, Essex. William Cook intends to close the lossmaking Braintree plant.

The group also forecast that pre-tax profits for the year to March 31 would exceed £8.75m (£5.05m), with a final dividend of not less than 7.5p.

The shares slipped 10p to at 317p. Triplex shares rose 6p to 144p.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY– Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT– By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE– Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL– Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION–Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Lookers motors ahead but warns on trading

By John Thornhill

THE TOUGH trading environment for motor distributors was illustrated yesterday by the annual results of Lookers, the Manchester-based dealer, which reported an 8 per cent profits advance but warned of a disappointing start to the current year.

Pre-tax profits advanced from £6.32m to £6.83m in the year to September 30 on turnover 14 per cent ahead at £309.82m (£270.61m).

However, Mr Ken Martindale, chairman and managing director, said the car sales market had turned down in the UK and that the company's forthcoming interim profits would be reduced.

"Until August the market was a record month after month. But since then there has been a fall," he said.

Lookers estimates the market has declined by about 10 per cent, but believes the fall is only temporary, resulting from the Government's interest rate policy.

"There is still a pent up demand for cars in this country," Mr Martindale said.

At the end of its financial year, Lookers acquired SMAC, a car dealer based in the south-east, taking the number of its franchised outlets to 41. SMAC, currently being re-organised, made only a minimal two week contribution to Lookers' results.

Group operating profits grew by 24 per cent to £11.57m but higher net interest charges of £4.74m (£3.02m) limited the advance at the taxable level.

The agricultural division was hit by reorganisation costs and reported a £500,000 fall in profits to £100,000. A property profit of £951,000 was taken below the line.

A final dividend of 4.2p is recommended which will increase the yearly pay-out by 16 per cent to 6.2p (5.35p). Earnings per share were marginally higher at 25.5p (25p).

• COMMENT

Lookers' shares went on something of a tumble yesterday, down 14p to 133p, and given the straitened prospects for the sector it is hard to see them recovering strongly in the near future. Lookers says profits will decline in the current six months and it is only in the second half that they will be on the mend. Analysts suggest pre-tax profits for the year may only crawl ahead to £7m and earnings will suffer mightily, falling to under 20p. A prospective p/e ratio of about 7 appears mean, but is generous enough for the present. Some share price excitement may be generated by bid talk as T Cowie holds a 10 per cent stake which it might well be prepared to trade. But Woodchester Investments' shareholding of just under 30 per cent still looks a secure trade investment and argues against the takeover possibilities.

Sergeant to sell £1.7m-worth of shares at Euromoney's listing

By Vanessa Houlder

SIR PATRICK Sergeant, the former City editor of the Daily Mail and the founder of Euromoney magazine, is to sell shares worth £1.7m, when Euromoney Publications receives a London listing.

The company, which publishes magazines covering banking and the international capital markets, was listed in the form of international depository receipts in Luxembourg in 1986.

Sir Patrick said that the decision to seek a listing in the UK stemmed from disadvantages with the bearer-share system and pressure from those institutions which are barred from buying shares listed in Luxembourg.

A trust connected to Sir Patrick and a subsidiary of the Daily Mail & General Trust, which now owns 76 per cent of the shares, are each selling 500,000 shares at 350p apiece, to bring the proportion of shares in public hands up to 20 per cent.

Sir Patrick, who sold shares worth £1.9m in 1986, still has a holding worth £2m.

He stressed that the company was doing well and that the only reason for the sale of the shares was to satisfy Stock Exchange listing requirements.

Merrill Lynch International is sponsoring the placing and advising the company. Baring Brothers is advising Daily Mail & General Trust.

Shandwick expands in West Germany

By Nikki Tait

SHANDWICK, the acquisitive UK-based public relations group, yesterday announced the purchase of Lutz Bohme Beratungsgesellschaft, a Hamburg-based PR consultancy, for a maximum DM8m (£3m).

Shandwick, which already has interests in Bonn, said that it should now rank fourth, in fee income terms, in the West German PR market.

Shandwick is paying an initial DM2.15m cash. However, further performance-related payments may fall due, based on a multiple of 1990 profits and a percentage of operating income in 1991 and 1992. These will also be met in cash. The total consideration, however, cannot exceed DM8m.

The West German agency was set up in 1966 and clients include BP and Unilever. In 1988, there was an audited loss before tax of DM286,000, but management is estimating a profit of DM105,000 in the year just ended. Net assets are DM170,000.

Shield sharply lower at £95,000

SHIELD GROUP, which has interests in property development and estate agencies, reported profits sharply reduced for the six months to September 30.

The pre-tax figure dropped from £842,000 to £95,000 on turnover down from £13.44m to £4.78m.

The directors said that the group would shortly be launching its flagship development at Summit Lodge, Hampstead, London, and that the sale of three to four of the 11 remaining units should repay borrowings in full.

As the market capitalisation of the group was currently at a discount to its net assets and, taking into account current property market conditions, the directors do not propose paying any interim ordinary or preference dividends.

They said that they believed that the group should, for the present, pursue a trading and business policy of strengthening its asset base.

Losses per share were 2.68p (1.28p earnings).

Kyowa listing in London

By David Lascelles, Banking Editor

DEALINGS begin in London today in the shares of Kyowa Bank, the latest of the large Japanese "city banks" to obtain a London listing. It is the first listing for the bank outside Japan, and part of its aim is to broaden its appeal to international investors.

The number of Japanese companies quoted in London doubled to 22 last year. Of the new arrivals, nine were banks.

Kyowa's listing is being sponsored by SG Warburg Securities, Kyowa Finance International, Nikko Securities and County Natwest.

Dalepak rises to £0.7m in spite of tough trading

DALEPAK Foods lifted first half pre-tax profit by 38 per cent, although trading conditions worsened significantly.

The directors said they expected the conditions to continue, but were confident that the broadening product base would enable the group to progress in the second half.

Dalepak makes a range of frozen meat, vegetables and chilled products. Its turnover in the six months ended October 31 advanced 47 per cent to £16.67m (£11.3m), while profits came to £704,000 (£511,000) after trebled interest charges.

Frozen food businesses all recorded strong sales growth with Grillsteak ahead 23 per cent in a static market, and Fawcetts Frozen Foods up by 16 per cent.

Short-term profitability of Worsleys and Northallerton Wholesale Bacon was hit by a 50 per cent rise in summer pork prices, but steps taken to reduce exposure to the pigmeat market are expected to show through in the second half.

Earnings in the half year came to 4.09p (2.98p) and the interim dividend is 1.085p (0.9p).

Burndene expands 11% to £4m

Burndene Investments, the caravans, hosiery, property and finance group, yesterday announced an 11 per cent expansion in taxable profits for the 12-months to September 30.

The increase – up from £3.57m to £3.97m – was scored on turnover of £35.37m (£29.84m). Directors said that the group's activities would reflect the current economic conditions but that its manufacturing activities were sound and firmly established in their respective markets.

After tax of £1.46m (£987,935), earnings per 5p share worked through at 24.32p (25.21p). A proposed final dividend of 5.5p lifts the total for the year to 8p (7p).

Barbour Index 25% higher at £2.73m

Barbour Index, which provides specialist information services to the UK construction industry, lifted pre-tax profits 25 per cent in the half year to October 31 1989.

Mr Patrick Barbour, chairman, said he anticipated a successful year end outcome. All aspects of the business were performing to plan, with the exception of Computerscan.

Profits rose to £2.73m (£2.18m), on turnover of £6.27m (£5.1m). With earnings at 10.8p (8.55p) the interim dividend is lifted to 2p (1.25p), partly to reduce disparity.

There was an extraordinary charge of £104,000, being further money advanced to Computerscan written off.

Mr Barbour believed Computerscan was a service with good potential, but said it needed a cost effective medium to turn latent demand into income. Partnership arrangements were being discussed which could provide that, and by April "we shall have made our final assessment of the service".

NEWS DIGEST

Electron House falls to £1.65m

ELECTRON HOUSE, a computer products and electronic components distributor, reported a fall from £2.01m to £1.65m in pre-tax profits for the half year to November 30.

Group sales, however, improved from £40.22m to £57.58m.

The profits decline was mainly due to a significantly higher interest charge – up from £524,000 to £1.3m.

The interim dividend was increased by 10 per cent, from 2.5p to 2.75p, in spite of a contraction from 7.7p to 5.06p in earnings per share.

Fetterman quits IBC board

Mr Norman Fetterman has resigned as a director of International Business Communications (Holdings), the newsletters and conferences company which bought his Barham Group of publishing and advertising businesses in 1987.

Mr Fetterman had played a minor role at IBC since 1988, when he became chairman of Oakwood Group, the engineering and textiles company to which a receiver was appointed last month.

Sommerville profit maintained

Following a sharp fall in the previous full year, William Sommerville & Son, the Scottish paper maker in which James River Corporation of the US has a controlling interest, maintained interim profits at £336,000, against £330,000 last time.

Turnover for the six months to November 30 rose slightly from £4.99m to £5.6m and manufacturing efficiencies had improved. After omitting last year's final, the company declared an unchanged interim dividend of 1p. Earnings per 25p share were 33.86p (32.62p) after tax of £118,000 (£120,000).

Estates & Agency debenture placing

Estates & Agency Holdings has placed, through Samuel Montagu, a further £9m of 11.25 per cent first mortgage debenture stock 2020.

The investment holding company launched the issue to provide long-term funding for its recent purchases of two industrial units at Banbury, Oxfordshire; the refinancing of a retail warehouse at Rayleigh, Essex; and funding for refurbishment and development of property in the west end of London.

Lon & Clydeside advances to £2.4m

The strong housing market in Scotland helped lift pre-tax profits of London & Clydeside Holdings in the year ended September 30 from £1.49m to £2.39m.

Turnover moved ahead to £21.06m (£19.3m). Earnings were 16.1p (10.2p) and the final dividend is 4.6p for a total of 6.3p (5.7p).

CHI sells 6.3% stake in Ricardo

CH Industrials, seen in the past as a highly acquisitive mini-conglomerate, has sold its 6.3 per cent interest in Ricardo, the Sussex-based designer of engines and transmissions.

Ricardo was subject to an abortive takeover bid from First Technology last year, and CHI pledged to accept the offer. In the event, First Technology gained control of only 41 per cent of Ricardo and the bid lapsed.

£1.3m acquisition for Freeman

Freeman Group, the USM-quoted distributor of insulation materials and building products, has acquired Bestobell Distribution, a unit of Meggitt (UK), for £1.31m.

The sum is being paid in the form of 498,099 new Freeman ordinary shares which are being placed with institutions on Meggitt's behalf at 263p per unit to yield £1.31m cash.

In addition, Freeman is placing a further 90,668 ordinary shares at the same price to raise £220,000 in working capital, net of expenses. In both cases, the shares are being placed by CCF Laurence Prust.

Widney reasons for year-end loss

Widney, the engineering group, has outlined the reasons for its previously announced £1.1m pre-tax loss in the year to September 30 and announced a £2.2m financial rescue.

When Widney announced the loss it gave no explanation for the fall from £227,000 profits in the previous year.

It now blames the poor result on four factors: the combination of high gearing and higher interest rates; trading losses at Francis & Lewis before the telecommunications mast manufacturer was sold; inadequate orders and a poor product mix at the Widney Aish defence business; and an unexpected second-half downturn at Widney Products, a maker of enclosures for cash dispensers.

COMMODITIES AND AGRICULTURE

Brazilian court orders second tin mine closure

By John Barham in Sao Paulo

A BRAZILIAN court has ordered the immediate suspension of operations at the Amazon's Bom Futuro tin mine, one of the largest in the world, until dams are built to prevent thousands of tonnes of sludge from fouling nearby rivers.

The courts have been threatening producers at Bom Futuro with closure for almost six months. The mine is operated by fiercely independent prospectors whose relatively unsophisticated techniques have devastated the surrounding jungle and polluted the waters of the Igarape das Candeias river, which supplies drinking water to local communities.

But Mr Pedro Paulo Barros Lima, president of a local tin miners co-operative, said: "We already have 50 producers who have complied with the environmental legislation back in action."

He said that these producers had resumed output of 1,000 tonnes of tin a month and added that production would be raised by a further 2,500 tonnes a month as another 100 producers came back into operation soon. Last year the mine produced almost 30,000 tonnes of tin.

Courts invoking environmental protection clauses in the new constitution, have shut down nearly all Brazil's tin mines.

Last week, a court ordered Paranapanema, the world's largest tin producer, to close a private road that links its key mine at Pitinga to Manaus. The courts say the road threatens Indian tribes. The rich Pitinga and Bom Futuro have made Brazil the world's leading tin supplier with last year's production estimated at 44,000 tonnes.

US lifts sugar import quotas

By Nancy Dunne in Washington

THE US Department of Agriculture has increased sugar import quotas for the third time this year, taking the total to almost 2.3m tonnes, up 325,000 tonnes.

The USDA last week issued new sugar production estimates, which reflected freeze damage to the sugar cane crops in Florida and Texas and lower-than-expected yields for sugar beet in the West. Production of raw sugar for 1989 was estimated at 6.62m tonnes, raw value, down 4 per cent from the 1988 crop.

The new quota reallocates tonnage to Panama previously cut as the US sought to use economic pressure to oust the now imprisoned General Noriega. The entire share – 69,312 tonnes – cannot yet be shipped however. Officials said certain unspecified "criteria" first must be met.

John Barham writes in Sao Paulo: Brazil's Sugar and Alcohol Institute (IAA) has bowed to pressure from the US and approved the export of 95,000 tonnes of demerara sugar as a stopgap arrangement designed to prevent reallocation of Brazil's US sugar quota.

Brazil is behind in its sales to the US because Cacex, the Brazilian Government's foreign trade department, refused to issue export licences for the sugar. The exports are tied to a complex agreement with six commodity trading houses which Cacex said was illegal. The department alleges the accord would cost Brazil $18m in lost export revenues.

In the agreement, the institute agreed to transfer Brazil's US quotas to the trading firms in lieu of sugar it was to supply under forward contracts signed over three years ago, when prices were lower. A federal court is to convene on February 1 to rule on the dispute.

Milk Board suggests pricing changes

By Bridget Bloom, Agriculture Correspondent

IN AN effort to deflect mounting criticism of its monopoly powers and restrictive price fixing arrangements, Britain's largest milk marketing board has put forward fresh proposals for the future operation of the market to its customers in the Dairy Trades Federation.

The proposals suggest new ways of fixing prices within the present marketing scheme. They thus leave untouched the monopoly powers exercised by the five boards to buy and sell all milk produced by Britain's 44,000 dairy farmers.

Mr Charles Runge, chief executive of the Milk Marketing Board of England and Wales, the largest board by far, said the proposed system would leave dairy companies free to use milk as they wished, thus meeting one of the main criticisms of the present system, often described as a cosy cartel between producers and processors.

Currently, prices are negotiated with the DTF according to end use – for example, milk for sale on the doorstep will have a higher price than that used for cheese, butter or milk powder.

In future, the Board proposes that there should be long term contracts between it and the manufacturers covering about 85 per cent of supplies, with a small residual spot market.

MMB officials suggested prices would be based on so-called "service levels" of milk deliveries required by the processors: one type of contract for example could be based on daily deliveries of an agreed quantity of milk at a fixed price, while another could involve varying quantities at an agreed range of prices.

Mr Andrew Dare, the DTF president, who at a press conference on Monday described the board's whole approach as a "fudge", said yesterday that the federation would consider the new proposals. However, the Federation objects to what amounts to leaving the MMBs with their monopoly to buy and sell milk, while introducing a greater element of competition among processors.

Mr Dare made clear that the DTF would rather see the continuation of the present scheme. But if that was not possible he urged consideration of a completely free market in milk – calling, as he had done on Monday, on the Government formally to abolish the boards' monopoly.

The growing pressure on the current milk marketing system, stemming mainly from the likely onslaught of a theoretically fully competitive milk market within the European Community after 1992, appears to be inducing both sides in the dispute to strike extreme positions which they seem certain subsequently to temper.

Mr Dare acknowledged yesterday that he was seeking to provoke the Board into being more "reasonable" by calling for government intervention legally to abolish the MMB's monopoly.

So far Mr John Gummer, the Minister of Agriculture, has limited his intervention to calling for all the participants to the marketing scheme to introduce the necessary changes before 1992 so that Britain can be fully competitive within the single European market.

Canada gets tough over fishery protection

Bernard Simon on plans for tighter catch limits and stricter enforcement

CANADA'S LONG frustration at the depletion of its east coast fishery is giving way to some determined action to protect one of the mainstays of the Newfoundland and Nova Scotia economies.

New restrictions and enforcement measures, some of which are likely to be announced within the next week or so, are aimed partly at foreign trawlers, which are alleged to be taking dangerously large quantities of fish, especially cod, outside Canada's 200-mile fishing zone. But they are also designed to tighten the rules for domestic fishermen and fishing companies.

The plight of the fishery has been brought home in recent weeks by a 16 per cent cut in the 1990 northern cod quota to 197,000 tonnes, and plans by the two biggest east coast companies to close six fish processing plants with the loss of almost 3,000 jobs. The quota for other varieties of cod has plunged from 311,000 tonnes in 1984 to 118,000 tonnes this year.

Although fish stocks are considerably higher now than they were during the over-fishing binge of the 1960s, they are estimated to be 15 to 20 per cent below the average of the last five years. Haddock and northern cod are the worst hit species. Of particular concern is the unexpectedly slow growth in the biomass, and a sharp drop in the average weight of cod, the most popular east coast species. Seven year-old cod in the southern Gulf of St. Lawrence now weigh an average of only about 1 kg, compared with 2.4kg in the late 1970s.

The catch from the north-west Atlantic has fallen steeply in the past few years. Fishery Products International, Newfoundland's leading fish company, will have seen its supplies shrink by 74m lb, or 28 per cent, between 1988 and 1990.

Much of the Canadians' anger is directed at the Spanish and Portuguese, whom they not only accuse of over-fishing but also harvesting unusually small fish, thereby jeopardising the future growth of the resource.

Some of the richest fishing and nursery areas off the east coast are beyond the 200-mile limit, mainly in what is known as the nose and tail of the Grand Banks off the Newfoundland coast, and the nearby Flemish Cap area.

In particular, the Canadians are upset that since Spain and Portugal joined in 1986, the European Community has ignored quotas set by the Northwest Atlantic Fisheries Organization. NAFO was set up in 1979 to improve the conservation and management of fish stocks outside 200-mile zones. But since 1986, EC trawlers have caught seven times their NAFO quota. The Community last month set a 1990 limit of 50,000 tonnes, more than three times NAFO's 15,000 tonne quota.

Canada has in the past relied largely on polite diplomatic protests to make its point about over-fishing by foreign vessels. But a stronger stance was signalled towards the end of last year when a senior Canadian diplomat with a strong legal background was appointed to the new post of ambassador for marine conservation.

The diplomat, Mr Alan Beesley, has been exploring ways in which Ottawa can expand its influence beyond the 200-mile limit without going so far as unilaterally to declare an extension of the fishing zone. His recommendations are expected to be reviewed by the Cabinet within the next few days. They are unlikely, however, to include anything as drastic as trade sanctions against Spain and Portugal, or a claim to jurisdiction over the "nose and tail" of the Grand Banks.

The Government also launched a campaign late last year to bring home to the European Community the damage being done to the Atlantic fishery by Spanish and Portuguese over-fishing. Several Canadian cabinet ministers as well as a parliamentary delegation visited Europe last autumn to put their case to politicians, officials and journalists.

Canadian ports have been closed to European fishing vessels, and the Spanish and Portuguese are excluded from quotas in Canadian waters allocated to foreign vessels.

The Canadians draw some comfort from the fact that the EC's 1990 quota of 50,000 tonnes is less than a third of the 1989 limit and, more important, considerably below last year's actual catch. They also point to a "constructive" recent letter from Mr Jacque Delors, president of the EC Commission president to Mr Brian Mulroney, the Prime Minister.

In an effort to revive fish stocks, the Department of Fisheries and Oceans in Ottawa is drawing up a package of restrictions that will probably include a higher minimum mesh size for nets and a floor on the size of fish that can be caught. These measures, still to be submitted to the Cabinet, are expected to be endorsed by a task force headed by Dr Leslie Harris, president of Newfoundland's Memorial University, whose final report is scheduled for completion later this month. The Government is also anxious to limit future growth of the inshore industry. Limits are likely to be placed on the size of new boats, while the issuing of new licences (there are currently about 30,000) will probably be tightened.

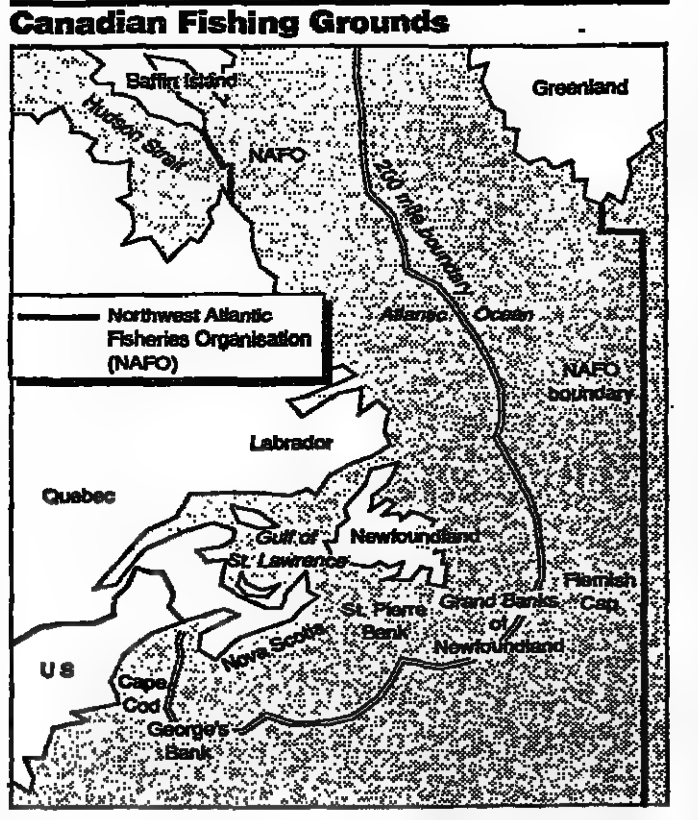
Whatever new rules are introduced the authorities will face problems in enforcing them. The DFO has 52 patrol vessels on the east coast. Air force and other planes flew a total of 5,400 hours of surveillance in 1987-88, and the Government has committed an extra C$22m for aerial patrols over the next five years. Penalties for infringements of fishing regulations are to be sharply increased.

Although the conservation measures will cause considerable pain in the Atlantic provinces, they are widely supported. Mr Patrick McGuiness, vice-president of the Fisheries Council of Canada, a lobbying group for fish processors, says that "this industry is usually one that supports relatively stern measures to ensure that the stock is rebuilt." Several inshore fishery groups, which have seldom caught their quota in the past decade, have complained that this year's allowable catch for northern cod is too high.

Ottawa is offering a carrot to the fishing industry by encouraging greater exploitation of under-fished species, such as flounder and cod off the the coast of Labrador, as well as redfish, herring, mackerel, turbot and silver hake elsewhere. The Government is considering financial backing for fishermen to acquire suitable gear to catch these species.

Even if all these measures bear fruit, the fishery will take some time to recover. "There's not an expectation that this is going to turn around in a year," says Mr Wayne Shinners, assistant deputy minister of fisheries in Ottawa. Mr Shinners estimates that it will be five to eight years before the biomass has returned to a satisfactory level.

Canadian Fishing Grounds



Environmental concern puts paid to rare earths plan

By Chris Sherwell in Sydney

DELAYS CAUSED by the State Government's environmental concerns have prompted Rhone Poulenc, the French chemicals group, to abandon a A$150m (£70m) project in Western Australia to process monazite, a source of heavy rare earth elements.

The mineral sands plant is the third major resource-based, export-oriented development to collapse in Australia because of politically-sensitive environmental concerns.

Last year a A$1bn pulp and paper project at Wesley Vale in Tasmania and a gold, platinum and palladium mine near the Kakadu national park in the Northern Territory were also halted amid noisy political controversy.

A statement by Mr Alain Regent, Rhone Poulenc's director of rare earths, said growth in demand for rare earth elements had not matched the levels that the company had been anticipating when it first announced the project. And he added that the appearance of newcomers in the world market place had compounded the problem.

But in any case the project's commercial viability was being seriously undermined by the continuing refusal of the Western Australian State Government's environmental protection authority to approve the second phase of the project because of concern that waste disposal problems might represent a significant danger to health.

Since the environmental protection authority's opposition first became known in September 1988, discussions between the company and the Government have brought no solution, and there has been no sign that agreement is likely to be reached in the future. This has resulted in the effective closure of a window of opportunity perceived by Rhone Poulenc.

The plant, planned for Pinjarra, south of Perth, was to have processed about 15,000 tonnes of monazite a year. Monazite is a rich ore for rare earths, which are in turn used in magnets, electronic equipment, high technology ceramics, optical glass and other applications. Export earnings were projected at A$100m a year.

The environmental protection authority had approved the first stage of the project, which would "crack" the sand into intermediate product, but refused permission for the second, which would have produced the radio-active elements thorium and radium as by-products.

Although the agency was apparently satisfied about proposed methods of dealing with the thorium and radium, it felt that *the ammonium nitrate* which was also produced, and which would be deposited in tailings ponds, could represent a threat because it would be contaminated by radium.

Officially, Rhone Poulenc has postponed the new plant, and will put its next plant in the state before building elsewhere. But to all intents and purposes, it has been abandoned.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices closed higher on the LME yesterday, following *short-covering and profit-taking* purchases in the morning. Dealers said the market was continuing to recover from a rather oversold situation, helped by stability on Comex, although upside potential was small and the recent bear trend remained intact. Nickel prices, which touched a fresh two-year low in pre-market trading, also recovered as short-covering and profit-taking purchases emerged. Analysts said nickel had limited upside potential, and the bear trend was set to continue. Three-month aluminium breached overhead resistance at $1,550 a tonne. Coffee prices advanced, reflecting a firmer trend in New York. Dealers said this week's ICO executive board session had little *influence on the market.*

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.05-8.15z	-0.60
Brent Blend	$19.10-9.15z	-0.55
W.T.I. (1 pm est)	$21.16-1.18z	-.555
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-213	-3½
Gas Oil	$175-176	-8
Heavy Fuel Oil	$95-97	-2
Naphtha	$188-190	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$410.25	-3.5
Silver (per troy oz)♣	523c	-4
Platinum (per troy oz)	$497	-1
Palladium (per troy oz)	$135.6	-0.9
Aluminium (free market)	$1535	+40
Copper (US Producer)	107⅞-109c	-8½
Lead (US Producer)	40.5c	
Nickel (free market)	335c	
Tin (Kuala Lumpur market)	17.85r	
Tin (New York)	312.5c	+4.5
Zinc (US Prime Western)	68¼c	
Cattle (live weight)†	109.50p	-1.53*
Sheep (dead weight)†	194.69p	-3.26*
Pigs (live weight)†	77.70p	-0.75*
London daily sugar (raw)	$350.4x	
London daily sugar (white)	$433x	
Tate and Lyle export price	£327	+3
Barley (English feed)	£116	-1
Maize (US No. 3 yellow)	£128.5	-1.0
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	52.5p	-0.5
Rubber (Feb)♥	54.75p	-0.50
Rubber (Mar)♥	55.75p	-0.50
Rubber (KL RSS No 1 Feb)	224.0m	-1.5
Coconut oil (Philippines)§	$440x	
Palm Oil (Malaysian)§	$270	
Copra (Philippines)§	$280	
Soyabeans (US)	£171	-1
Cotton "A" index	74.30c	-0.05
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	631	628	633 624
May	645	640	646 637
Jul	659	655	660 652
Sep	674	670	675 668
Dec	697	690	697 690
Mar	714	709	713 707
May	728	722	726 722

Turnover: 8858 (10379) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 16 757.26 (768.48):10 day average for Jan 17 753.11 (751.12)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	575	557	575 565
Mar	597	586	597 586
May	611	604	612 601
Jul	630	623	631 620
Sep	649	642	645 639
Nov	665	662	665 659
Jan	684	682	681 679

Turnover: 5106 (7284) lots of 5 tonnes
ICO indicator prices (US cents per pound) for *Jan 16: Comp. daily 60.36 (61.14). 15 day average* 63.37 (63.46)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	317.60	320.40	325.40 316.00
May	317.40	320.00	324.80 316.00
Aug	315.20	318.00	322.00 314.00
Oct	307.60	310.60	314.80 307.00
Dec	306.00	308.00	307.00
Mar	290.00	292.00	291.00 290.00
White	**Close**	**Previous**	**High/Low**
Mar	418.0	427.0	431.0 413.5
May	417.0	424.0	427.0 414.0
Aug	419.5	420.5	425.0 415.0
Oct	388.5	394.5	398.5 388.5
Dec	363.5	369.0	368.5

Turnover: Raw 5291 (8172) lots of 50 tonnes. White 2535 (2601)
Paris- White (FFr per tonne): Mar 2410, May 2408, Aug 2440, Oct 2260, Dec 2150, Mar 2100.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	19.17	19.57	19.33 19.05
Apr	18.68	19.00	18.84 18.65
May	18.32	18.50	18.32
IPE Index	19.32	19.80	

Turnover: 7688 (10326)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Feb	170.50	175.75	172.25 169.00
Mar	165.25	168.75	166.50 164.00
Apr	160.25	163.75	162.00 160.00
May	153.50	161.50	160.00 158.00
Jun	158.25	160.50	158.50 157.25
Jul	158.75	162.00	159.50 158.00

Turnover 12660 (12944)lots of 100 tonnes

WOOL
Market emphasis is almost entirely on the world surplus of wool, the probable inadequacy of wool demand a long time ahead, and in the meantime AWC's increasing problem in financing prices at their present level. Additional borrowing powers and an increased levy on wool growers are inevitable. With the AWC buying about half of the season so far there *are forecasts of a 3m bale stockpile by the* end of June. Against this background pressure on the individual firm comes from both a lack of new business and a sluggish call for deliveries.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 50,075 tonne
Cash	1541-3	1508-10		1535-40		
3 months	1553-4	1528-9	1556/1527	1550-1	1555-6	32,995 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,150 tonne
Cash	1450-2	1427-8	1449/1448	1448-9		
3 months	1460-1	1439-40	1464/1453	1457-8	1461-2	62,604 lots
Lead (£ per tonne)						Ring turnover 8,525 tonne
Cash	426-8	416-7	428/427	426-6.5		
3 months	419-20	413-4	422/418	420.5-1	420-2	9,574 lots
Nickel ($ per tonne)						Ring turnover 1,272 tonne
Cash	7200-20	7000-100	7250/7200	7150-200		
3 months	6960-75	6875-95	7000/6900	6950-75	6976-80	5,227 lots
Tin ($ per tonne)						Ring turnover 2,140 tonne
Cash	6845-65	6710-30		6580-70		
3 months	6760-70	6830-40	6840/6650	6660-70	6770-80	5,495 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 17,475 tonne
Cash	1280-2	1256-8	1285/1258	1256-60		
3 months	1273-5	1253-9	1287/1273	1270-5	1275-7	16,043 lots
Zinc ($ per tonne)						Ring turnover 1,400 tonne
Cash	1260-5	1265-75		1280-5		
March 30	1230-40	1235-40		1230-40		1,383 lots

LME Closing £/$ rate: SPOT: 1.6480 | 3 months: 1.6214 | 6 months: 1.6050 | 9 months: 1.5925

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	145.0	145.0	142.6
Apr	200.5	198.2	200.5 198.0
May	226.0	223.9	223.6
Nov	102.0	-	100.0

Turnover 153 (105) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	136.00	136.00	135.00
Apr	137.50	138.00	136.50

Turnover 100 (120) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1673	1679	1677 1673
Feb	1674	1684	1680 1673
Apr	1688	1696	1695 1690
Jul	1432	1432	1434 1434
BFI	1663	1663	

Turnover 263 (341)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	113.25	113.30	112.95
Mar	116.15	116.25	116.20 115.90
May	120.10	120.45	120.30 120.00
Barley	**Close**	**Previous**	**High/Low**
Jan	109.75	110.55	110.40 110.00
Mar	111.10	112.20	112.00 111.10
May	113.00	114.30	113.90 113.00

Turnover: Wheat 132 (272), Barley 114 (125).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	102.0	103.5	102.0
Apr	106.0	106.5	106.0

Turnover 20 (18) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	410-410½	247¼-248¼
Opening	410-410½	247-247½
Morning fix	410.60	248.547
Afternoon fix	410.40	248.276
Day's high	411½-412	
Day's low	409-409½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	419-423	253-256
Britannia	419-423	253-256
US Eagle	419-423	253-258
Angel	421-426	255¼-258¼
Krugerrand	409-412	247-249
New Sov.	96½-98½	58¼-59¼
Old Sov.	96½-98½	58¼-59¼
Noble Plat	502.95-510.90	303.45-308.25
Silver fix	**p/fine oz**	**US cts equiv**
Spot	316.45	522.60
3 months	328.25	533.20
6 months	340.45	544.00
12 months	364.50	568.70

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1450	110	116	4	14
1550	38	53	31	48
1650	7	18	88	110
Copper (Grade A)	**Calls**		**Puts**	
2250	149	148	18	51
2350	82	92	50	94
2450	35	53	105	153
Coffee	**Mar**	**May**	**Mar**	**May**
550	49	68	8	8
600	16	38	20	25
650	3	15	57	55
Cocoa	**Mar**	**May**	**Mar**	**May**
600	40	62	10	18
650	14	34	34	40
700	3	16	73	72
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	65	56	30	79
1950	37	35	54	
2000	17	21	12	

US MARKETS

IN THE METALS, slow, two-sided action was seen in most markets *despite the larger than expected trade* figure, reports Drexel Burnham Lambert. Prices swayed around unchanged levels for most of the day before gaining late in the day. Copper was lower on mostly local selling. The softs featured choppy trade in the sugar. Prices ended the day down 18 basis March from commission house activity. Coffee rose due to a lack of speculative selling. All of the livestocks closed higher led by an 80 point advance in the bellies. A steady cash market and possible export demands *were noted. The grains were all slow* with only some light local selling featured. Cotton futures gained from technical buying while orange juice trading featured consolidation after its recent volitile days. The energy markets all fell sharply due to the bearish api reports on Tuesday.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	412.5	410.8	0	0
Feb	413.7	412.2	413.9	410.1
Mar	416.2	414.7	413.2	413.2
Apr	419.1	417.6	419.5	415.7
Jun	424.1	422.6	424.5	421.0
Aug	428.9	427.4	427.3	425.9
Oct	433.9	432.4	431.5	430.5
Dec	438.9	437.4	438.5	435.5
Feb	444.0	442.5	442.3	442.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	497.1	495.2	496.0	494.0
Apr	504.1	502.0	504.5	499.5
Jul	510.6	508.7	509.5	506.5
Oct	517.8	516.0	0	0
Jan	525.4	523.5	0	0
Apr	533.4	531.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	525.6	523.0	524.0	524.0
Feb	526.7	524.4	0	0
Mar	530.8	528.5	531.0	525.5
May	538.9	536.6	539.5	534.5
Jul	546.9	544.5	547.5	542.0
Sep	555.2	552.8	554.0	551.5
Dec	566.7	564.3	566.0	563.5
Jan	570.2	567.8	0	0
Mar	578.5	576.1	578.5	575.0
May	586.6	583.9	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 17	Jan 16	mnth ago	yr ago
1792.0	1791.4	1823.1	1994.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 16	Jan 15	mnth ago	yr ago
Spot	128.98	127.72	128.42	140.38
Futures	129.56	129.96	130.74	143.91

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	104.60	105.00	105.60	104.00
Feb	104.40	104.70	104.40	104.40
Mar	104.00	104.50	106.30	103.30
Apr	103.25	103.60	104.10	104.10
May	102.75	103.20	103.80	102.10
Jun	102.25	102.70	102.20	102.20
Jul	101.85	102.30	102.80	101.40
Aug	101.50	101.90	0	0
Sep	101.05	101.40	102.10	100.60
Oct	100.60	101.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	22.00	22.76	22.62	21.98
Mar	21.27	21.78	21.46	21.10
Apr	20.71	21.11	20.86	20.59
May	20.32	20.65	20.45	20.20
Jun	19.96	20.21	20.05	19.85
Jul	19.62	19.84	19.76	19.46
Aug	19.17	19.54	19.35	19.15
Sep	19.05	19.29	19.15	18.96
Nov	18.80	18.94	18.80	18.77

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	6070	6403	6235	6050
Mar	5775	5948	5980	5746
Apr	5615	5658	5910	5600
May	5370	5460	5450	5380
Jun	5240	5320	5320	5220
Jul	5210	5290	5285	5200
Aug	5225	5345	5315	5145
Oct	5450	5485	5450	5450

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Mar	966	959	978	956
May	962	954	974	954
Jul	977	968	986	0
Sep	1001	982	1000	985
Dec	1010	1002	1012	1009
Mar	1031	1022	1031	1027
May	1040	1033	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	78.83	77.58	79.40	77.60
May	80.40	79.35	80.65	79.45
Jul	43.00	81.19	82.60	81.35
Sep	84.35	83.10	84.55	83.50
Dec	86.60	85.60	86.75	86.10
Mar	88.50		90.25	90.40

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.21	14.46	14.73	22.14
May	14.39	14.45	14.67	14.30
Jul	14.22	14.32	14.62	14.16
Oct	13.83	13.92	14.13	13.79
Mar	13.15	13.23	13.43	13.10

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.90	65.85	66.95	65.65
May	67.60	66.61	67.55	66.90
Jul	67.63	67.05	67.95	67.05
Oct	65.75	65.05	65.75	65.10
Dec	64.30	63.90	64.50	64.00
Mar	65.03	63.75	0	0
May	65.60	64.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	196.20	195.25	197.00	195.00
Mar	200.50	198.70	201.00	198.00
May	199.50	198.50	201.00	198.00
Jul	199.00	197.25	0	197.00
Sep	196.20	195.00	197.00	195.00
Nov	193.00	192.25	194.00	192.00
Jan	190.50	189.75	191.00	190.00
Mar	189.90	189.15	190.50	190.50
May	189.95	189.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	567/1	558/0	561/2	557/4
Mar	567/2	568/0	571/4	567/4
May	582/4	581/4	584/4	581/0
Jul	591/9	593/0	596/0	591/4
Aug	598/4	596/0	598/4	596/0
Sep	597/4	594/0	597/4	594/4
Nov	600/4	601/4	604/4	600/0
Jan	613/0	611/0	614/0	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	19.02	18.96	19.05	18.90
Mar	19.17	19.16	19.36	19.14
May	19.49	19.52	19.65	19.49
Jul	19.77	19.77	19.90	19.72
Aug	19.41	19.80	19.95	20.92
Sep	19.96	19.82	19.95	19.84
Oct	19.82	19.88	20.00	19.85
Dec	19.98	19.97	20.05	19.97

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	171.0	171.9	171.9	171.0
Mar	173.9	173.9	174.5	173.9
May	209.1	176.3	176.6	175.8
Jul	209.1	14.3	179.2	178.4
Aug	180.0	180.1	180.3	179.7
Sep	180.8	181.1	181.2	180.7
Oct	182.2	182.3	182.5	181.8
Dec	184.6	185.1	185.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	241/4	242/4	242/4	241/4
May	232/2	249/0	249/0	248/0
Jul	252/0	253/6	253/4	252/2
Sep	302/0	55/6	252/0	250/4
Dec	247/6	248/2	248/6	247/2
Mar	254/4	255/4	254/4	253/0
May	258/6	259/2	258/6	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	401/2	398/2	400/6	397/2
May	376/6	376/6	378/4	376/0
Jul	415/0	353/0	355/0	352/4
Sep	359/4	358/0	360/2	358/0
Mar	378/0	375/4	376/0	374/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.22	77.80	78.25	77.82
Apr	76.87	76.27	76.90	76.30
Jun	72.17	71.70	72.25	71.65
Aug	71.27	70.92	71.35	70.82
Oct	72.07	71.45	72.17	71.30
Dec	72.55	72.20	72.57	72.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	49.77	49.70	50.10	49.37
Apr	47.80	47.37	48.07	47.35
Jun	52.80	52.42	52.85	52.20
Jul	52.85	52.60	52.85	52.37
Aug	51.20	50.97	51.37	50.75
Oct	45.40	45.35	45.55	45.25
Dec	46.85	46.85	46.95	46.70
Feb	46.87	46.80	46.87	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	56.42	55.62	56.65	56.05
Mar	56.90	56.17	57.10	55.70
May	58.50	57.55	58.60	57.15
Jul	58.40	57.57	58.70	57.30
Aug	55.40	55.60	57.00	55.60
Feb	56.42	56.60	56.60	57.55
Mar	56.80	56.80	0	0

LONDON STOCK EXCHANGE

Recovery despite poor economic data

A RECOVERY in UK equities yesterday was not hindered by disappointing economic data from both sides of the Atlantic. Encouraged initially by better performances overnight from other major markets, London bounced higher from the support level established late on Tuesday, to close nearly 25 Footsie points up on the day.

The market's resilience supported the view of some analysts that the shakeout in equities since Friday had been caused by technical factors, and reflecting overbought positions rather than institutional selling. Although trading volume was patchy yesterday, there were signs of a return of confidence among the institutional investors whose failure to buy the market sparked the fall in equities earlier this week. However, the outlook for the Japanese and US markets is still a danger, according to Mr Ian Stephenson at Salomon International.

Equities opened higher and extended the gain to nearly 14 Footsie points in early trading, despite the news that December's UK Public Sector Debt Repayment of £0.4bn was much smaller than expected. But it was the announcement from Washington of a $10.50bn deficit on US trade in November which temporarily took the top off the London market.

At that stage, trading volume had been fairly light, and share prices came back without provoking significant selling as London braced itself for Wall Street's opening. When early trading saw the Dow hold steady, UK stocks began to move up again, and buyers put in a welcome appearance.

By the close of the day, the FT-SE Index was 24.8 points up at 2,373.9, a return to the levels reached during the week between Christmas and the New Year. On Tuesday afternoon, the day's low point of the week's setback, the Footsie at 2,329.5 had lost 134.2 points from its peak, or 5.4 per cent, an indication of its recent volatility.

While Seaq volume at 365.6m shares yesterday was fairly light, even measured against Tuesday's 425.1m, it was significant that volume increased in the second half of the session when investors appeared unconcerned by the economic news, or by the latest developments in the pay dispute at the Ford Motor factory in the UK, which has renewed anxiety over the level of UK wage inflation.

Yesterday's recovery in share prices also reflected a calmer mood in the market as the latest crop of City redundancies, and the effective withdrawal from equity trading in London of Citicorp Scrimgeour Vickers, was absorbed. However, most market specialists still believe that the UK stock market is oversupplied with marketmaking firms and that at least another big securities trader will have to leave the field before the industry can return to profitable trading.

Account Dealing Dates

First Dealings*	Dec 27	Jan 15	Jan 29
Option Declarations	Jan 11	Jan 25	Feb 8
Last Dealings	Jan 12	Jan 26	Feb 9
Account Day	Jan 22	Feb 5	Feb 19

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Jan 17	Jan 16	Jan 15	Jan 12	Jan 11	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.52	82.36	82.39	83.02	82.94	87.54	89.29 (8/2/89)	81.52 (17/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.33	92.46	92.39	92.60	92.55	96.71	98.58 (15/3/89)	92.02 (8/12/89)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1895.3	1873.7	1896.9	1909.1	1940.5	1540.0	2008.8 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	351.4	355.8	349.4	346.1	337.8	182.8	355.8 (16/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2373.9	2349.1	2365.2	2380.1	2417.9	1802.1	2463.7 (3/1/90)	1782.6 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.50	4.55	4.50	4.47	4.40	4.78				
Earning Yld %(full)	10.99	11.10	10.98	10.81	10.72	11.98				
P/E Ratio(Net)(*)	11.02	10.90	11.02	11.10	11.29	10.71				
SEAQ Bargains(5pm)	28,290	26,279	27,013	34,488	32,618	28,527				
Equity Turnover(£m)†	-	892.43	749.48	1033.86	1184.83	962.41				
Equity Bargains†	-	27,723	27,791	35,908	32,860	28,987				
Shares Traded (ml)†	-	352.5	314.6	457.7	502.1	434.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. # Nil 10.97

Ordinary Share Index, Hourly changes — Day's High 1895.7 — Day's Low 1877.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1879.3	1886.9	1886.0	1883.0	1883.7	1879.9	1878.0	1892.9

FT-SE, Hourly changes — Day's High 2373.9 — Day's Low 2355.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2355.6	2365.4	2363.7	2361.2	2362.9	2357.7	2356.1	2370.8

GILT EDGED ACTIVITY

Indices*	Jan 16	Jan 15
Gilt Edged Bargains	99.0	99.1
5-Day average	88.2	83.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	572	208	+7
ASDA Group	11,000	115	+1
Abbey National	2,500	190	
Allied-Lyons	798	510	+3
Amstrad	8,050	[illegible]	+4
Argyll Group	1,100	219	+5
Ass. Brit. Foods	54	411	+2
BAA	294	[illegible]	+4
BAT Inds.	4,158	823	+8
BET	3,600	255	+2
BICC	451	463	+5
BOC	441	[illegible]	[illegible]
BPB Inds.	703	238	+2
BTR	867	449	+5
Barclays	1,400	580	+8
Bass	382	1068	+7
Beazer	1,200	173	+1
Berisford Int.	134	140	+3
Blue Arrow	1,800	95½	+3½
Blue Circle	875	248	+4
Boots	1,100	277	+6
Brit. & Comm.	897	84	+2
Brit. Aerospace	369	549	+3
British Airways	1,455	213	+3
British Gas	7,100	228	+3½
British Land	177	405	
BP	4,800	332	+3
British Steel	5,100	135	+½
British Telecom	4,400	297	+1
Bunzl	428	113	+4
Burmah Oil	789	678	+10
Burton	4,300	213	+4
Cable & Wire.	4,200	560	+22
Cadbury	1,100	352	+8
Calor Group	21	371	+3
Carlton Comms.	118	778	+4
Coats Viyella	1,100	147	-1
Comm. Union	774	420	+2
Cookson	1,000	287	+18
Courtaulds	2,200	380	-1
Dalgety	1,400	401	-1
Dixons	470	128	
Eng. China Clays	389	442	+7
Enterprise Oil	259	630	+2
FKI	2,600	82½	+1½
Ferranti	4,800	37	+3
Fisons	3,100	347	+8
Gen. Accident	280	1135	-4
General Elect.	4,800	237	+3
Glaxo	2,400	786	+4
Globe Inv.	746	184	+1
Glynwed Int.	181	348	+1
Granada	1,300	339	-3
Grand Met.	2,800	624	+9
GUS A	215	1055	+6
GRE	423	244	+4
GKN	2,100	435	+9
Guinness	3,500	864	+30
Hammerson "A"	88	818	
Hanson	12,000	231	+3
Hanson Warrants	1,100	66½	+2
Harrisons Cros.	1,000	159	-1
Hawker Sidd.	168	669	+8
Hillsdown	613	280	+5
IMI	180	232	+5
ICI	713	1148	+9
Inchcape	1,400	289	+8
Jaguar	14	849	
Kingfisher	584	295	+1
Ladbroke	1,000	330	+5
Land Securities	883	520	-2
Laporte	202	509	+1
Legal & General	1,000	409	
Lloyds Abbey	1,000	314	-8
Lloyds Bank	2,900	302	+7
LASMO	1,800	578	+3
Lonrho	10,000	314½	-8½
Lucas	275	652	+8
MB Group	1,500	[illegible]	+2
MEPC	553	519	-1
Marks & Spencer	5,000	222	+5
Maxwell Comm.	1,000	219	+2
Mecca Leisure	1,200	181	
Midland Bank	691	375	+8
NatWest Bank	3,808	350	+2
Next	1,400	89	+1
Northern Foods	64	318	+4
Pearl	2	688	
Pearson	194	737	+9
P & O	1,000	637	-8
Pilkington	1,200	233	+5
Polly Peck Intl.	3,000	415	+12
Prudential	1,500	224	+3
RHM	873	439	+8
RMC	817	697	-7
RTZ	2,500	571	+9
Racal	5,700	237	+9
Racal Telecom	991	369	+11
Rank Org.	451	680	+16
Reckitt & Colman	30	1245	+15
Redland	242	586	+1
Reed Intl.	2,100	445	+2
Reuters	1,100	1018	+5
Rolls Royce	1,900	185	+2
Rothmans	233	884	+4
Ryl Bk Scotland	573	285	
Royal Insurance	2,000	531	-7
STC	1,500	273	+5
Saatchi	331	242	-12
Sainsbury	1,400	285	+7
Scottish & New.	1,500	340	-3
Sears	4,800	107	+1
Sedgwick	688	290	+1
Shell Transport	2,900	460	+3
Siebe	299	483	+4
Slough Ests	254	330	+4
Smith (W.H.) A	99	334	+2
Smith & Nephew	1,000	132	+½
SmKl Beecham	1,000	[illegible]	[illegible]
SmKl Beecham Units	39	2505	+35
Smiths Inds.	389	269	+1
Standard Chartd.	1,400	553	+14
Storehouse	960	116	
Sun Alliance	1,500	327	+1
Sun Life	20	1300	-5
T&N	[illegible]	213	+5
TI Group	1,100	427	+5
TSB	2,600	133	
Tarmac	2,800	253	+4
Tate & Lyle	958	300	+2
Taylor Woodrow	[illegible]	300	-1
Tesco	3,700	193	+3½
Thames Water	1,600	158	+1½
THORN EMI	491	703	+5
Trafalgar House	326	367	+4
Trusthouse Forte	[illegible]	294	+2
Ultramar	1,100	386	+2
Unigate	1,000	343	+8
Unilever	1,300	678	+12
United Biscuits	608	354	+3
Utd. Newspapers	394	441	+3
Wellcome	1,300	732	-6
Whitbread "A"	1,400	416	+7
Williams Hldgs.	1,400	241	+8
Willis Faber	1,900	274	-1
Wimpey	289	246	+2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Lonrho deal excites

A stream of speculative reports on a platinum mining deal in South Africa first pushed Lonrho better and then dragged the shares back. Initial suggestions were that Lonrho would sell its Western Platinum subsidiary to Impala Platinum of South Africa. The mining interests of the two are adjacent.

Turnover in Lonrho shares yesterday expanded rapidly and the contract was the second busiest on the traded options market — the equivalent of 1.8m shares changed hands there.

The actual deal, confirmed after the traded options market had closed, was for the merger of the mining interests of in a profits-for-equity swap. Lonrho shares quickly fell back because marketmakers had expected a cash element to the deal. One said that that the implied valuation of Western was lower than expected, although analysts argued that the complexities of the deal made it was hard to be accurate about any valuation.

They added that Lonrho would in the short term need to expand refining capacity but that the deal was good in the longer term. Some analysts blamed the withdrawal of "hot money" for the shares' weakness. Lonrho ended 8½ down, and 11½ below the day's best, at 314½p. Turnover was 10m shares.

C & W active

There was persistent and strong support — much of it from the US — for Cable & Wireless, the electronics/telecoms group whose shares responded to further talk that the Chinese Government is about to buy a substantial stake in Hongkong Telecom from C & W.

"Speculation that Peking would buy a stake of between 10 and 20 per cent, via its CITIC investment arm, has been in the market for at least three weeks. Most observers believe that CITIC would buy a maximum of 15 per cent, but *market comment* yesterday suggested the figure might even be as high as 20 per cent.

"It's a question of when the Chinese come up with the hard currency," said one. C & W shares closed at the best of the day, up 22 at 560p, with turnover reaching 4.2m.

Guinness advanced strongly on provisional profit figures from its 24 per cent associate LVMH, the French luxury goods supplier. LVMH is forecasting a rise in profits for 1989 of more than 45 per cent, which would take its net earnings to at least FFr2.9bn (£305m).

Confidence was also helped by talk of a small increase in the forecast for Guinness profits from a leading agency broker. The shares ended at the best of the day, up 20 at 864p on firm turnover of 3.5m shares. One dealer added that after the London market closed there was switching into Guinness from shares in Nestle, the Swiss confectionery group, in New York.

Favourable press comment on Grand Metropolitan's move to take a 49 per cent stake in Rémy Martin, the French cognac house, pushed the former's shares 9 better to 624p on good volume of 2.8m.

Continued speculation that Elders IXL was placing its 22 per cent stake in Scottish & Newcastle dominated trading. The shares were 7 down against the trend at one point before closing a net 3 off at 340p. One dealer said there was talk that the placing had already begun at 335p.

The water stocks, overlooked during the past few sessions, staged a determined run late in the session with dealers citing a number of sizeable buy orders in the sector. "The institutions have been back in and looking to buy some of the stocks perceived to have been left behind," said one trader.

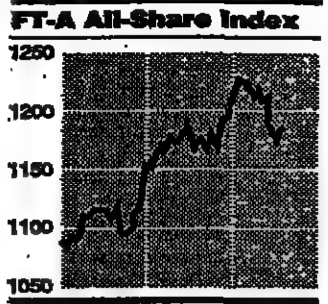
There were a couple of big individual trades, 2.6m and 2.4m, in Severn Trent, which improved 3½ to 145p on turnover of 6.5m. Anglian were chased late and closed 4½ up at 158p. Northumbrian were a similarly firmer at 155p while gains of 5 were seen in Welsh, at 164p, Southern, 152p, and Wessex, 168p.

The oil and gas areas of the market continued to hold up well in the face of further persistent weakness in crude oil prices; the latter fell yesterday after a significant build up in US crude oil and gasoline stocks as measured by the American Petroleum Institute.

Helped by the firmness of the wider equity market, BP put on 3 to 332p on 4.8m shares, as did Shell, to 460p, on 2.9m. LASMO, also boosted by the reports of drilling success in Syria, rose a similar amount to 578p on 1.8m.

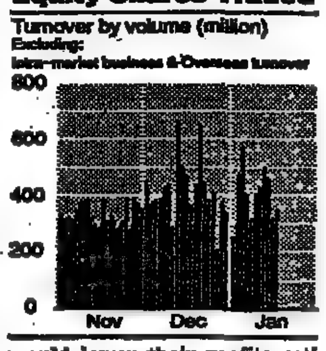
British Gas edged up 3½ to 228p but an energy sector specialist continued to take note of the relatively warm weather in the UK and speculated that if this continued for only a few weeks more then analysts would lower their profits estimates for Gas. But he added that the key to Gas's share price performance was promised dividend growth.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Burmah Oil extended their good performance with traders pretty well convinced that SHV, the 9.14 per cent shareholder, had been topping up its stake although they agreed that recent low turnover did not allow for any big increase. "I can't think of any other reason for Burmah shares to have performed so convincingly, other than for SHV to have bought some, given the recent spate of profits downgrades," said one dealer.

Wellcome continued to suffer from Tuesday's recommendation by the US Food and Drug Administration that doses for its money-spinning Aids drug Retrovir should be halved. The shares ended 6 lower at 732p.

Early buy orders helped Bats rise, and sentiment was helped when a long standing seller of the stock, a US securities house, turned buyer. The shares ended 8 up at 823p.

Standard Chartered were the big winners among banks, advancing 14 to 553p on turnover of 1.4m. Dealers said there had been renewed talk of a bid for the company, but added that the buying had much more of a quality feel about it. "It's not the speculators or spivs that are buying them this time," said one, adding there had been something of a stock shortage in the market.

The big four banks all moved higher, with sentiment said to have been boosted by expectations that the sale of the Yorkshire Bank — National Australia Bank is hot favourite to win control of Yorkshire — should be revealed today or tomorrow for around £1bn.

Barclays, with 32 per cent, Lloyds, 20 per cent, NatWest, 40 per cent and Royal Bank of Scotland, 8 per cent, are the current owners of the Yorkshire Bank.

Prudential added 3 more at 224p on 1.5m but composites remained unsettled by recent downgradings. Guardian Royal and, to a lesser extent, Sun Alliance were the exceptions, the former rising 4 to 244p, still helped by bid speculation.

Higgs & Hill, where the bid from YJ Lovell closes on Saturday, slipped to 418p before closing unchanged on the session at 422p. Brokers acting for Lovell said they had bought in the market 1.79m Higgs shares, 5.28 per cent of the issued capital, for cash delivery at 450p a share, taking the stake in the group up to the maximum permitted 9.99 per cent.

Ibstock Johnsen, the brick maker, dipped 3 to 148p after BZW cut its profits forecast for 1989 from £63m to £58m and that for 1990 from £55m to £48m. BZW says recent vague takeover talk concerning Ibstock "should be ignored."

Phoenix Timber rose 4 to 104p on whispers that Mercurius Gruppen had recently added to its 10 per cent stake.

Amstrad attracted substantial turnover of 8.3m shares with after aggressive demand from Kleinwort Benson, whose electronics team turned positive on the stock. Kleinwort's support drove the share price up 4 to 53p. Amstrad's big stocks position is being reduced and Kleinwort reckons the shares now look cheap although still high risk.

The Racal twins staged an exceptionally strong rally as buyers chased both stocks ahead of the Racal Telecom presentation to be held at Claridges next Wednesday. Telecom shares raced up 11 to 369p on turnover of 991,000 and Electronics 9 to 237p on 5.7m.

A profit upgrading by Mr Richard Allan of Kleinwort Benson helped Unilever add 12 at 678p. Sterling's decline last year against the D-Mark prompted Mr Allan to raise his estimate for Unilever's profits in the year to December 1989 to £1.74bn from £1.70bn, and in the same period in 1990 to £1.925bn from £1.880bn.

Laing recommended investors buy Hazlewood for its "exciting potential," Hillsdown, which had been underrated, and Tate & Lyle, because of its lower borrowings. Hazlewood ended 3 off at 234p, Hillsdown gained 5 to 280p, and Tate added 2 at 300p. However, Laing gave a sell/reduce recommendation to Dalgety and Fitch Lovell. Dalgety dipped a penny to 401p and Fitch Lovell eased 3 to 240p.

Asda gave up most of its early gains in busy trading on speculation that BZW had lowered its profit estimates. BZW denied the suggestions but said that it had warned investors of what it believed were deepening distribution problems at Asda.

Asda also remained on the defensive following press reports earlier in the week that claimed part of the food retailers' computer system had run into difficulties. Asda finished a penny higher at 115p, having traded at 118p at one stage, on a turnover of 11m shares.

USM-quoted video production company Trilion returned to profit — £1.1m against a £602,000 loss — and the shares added 4 at 49p. Sentiment was also helped by a positive statement accompanying the figures.

Anglia TV staged a small recovery of 3 to 262p ahead of full-year figures today. A 13 per cent profits improvement at the year-end helped First Leisure firm 3 to 235p.

Rockware closed 3 down at 51p, having dipped to 50p at one point, following a warning from the company that profits would be £3m lower than expected.

Spring Ram advanced strongly in an otherwise weak building supplies sector, buoyed by the news that the company planned extensive investment in the next three years. The shares gained 7 to close at 121p.

ICI shares underperformed the market slightly, following confirmation that development of the anti-diabetes drug ponelrestat was to be discontinued. The shares gained 9 to 1148p on low volume of 763,000.

Vickers rose 10 to 216p, after its statement on the stake held by Sir Ron Brierley, the New Zealand entrepreneur, reminded dealers of the possibility of a bid. Volume in TI Group was high, with shares closing 3 up at 427p, while Simon Engineering closed unchanged for the day at 383p following a fall of 12 on Tuesday on fears for the company's project in Azerbaijan.

Avon Rubber, the tyre and polymers manufacturer, excited the market with its announcement that the Swedish company Trelleborg had taken a 4.8 per cent stake. Hopes of bid pushed the shares up 102 to 530p. Turnover was never high, and one marketmaker said: "It's a very tightly held stock, and it's a very thin market, so the share price was volatile."

Lookers, the Manchester-based motor-dealer, were down 16 at 183p after forecasting a reduction in interim profits, despite the company's acquisition of the SMAC Group at the end of the last financial year. Mr Peter Caldwell, an analyst at Smith New Court, said: "This forecast means it will not achieve the results of the old group before the acquisition."

Hunterprint initially continued Tuesday's strong performance of the back of bid talk. But the market quickly lost confidence in the stories and the shares fell back from a high of 220p to close unchanged at 190p. One company mooted as a possible predator, Wace, fell to a low of 312p before closing a net 6 off at 314p.

Stories that Lowe Group, the advertising agency, had won the advertising account for Prudential in the US, worth about $70m, turned out to be true. The shares climbed 16 to 433p. The previous holder of the account was a division of Saatchi and Saatchi, which fell 12 to 242p. There were suggestions late in the day that Saatchi was about to announce 100 redundancies.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 25

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (26). BANKS (1) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (1) Anglo Utd., INSURANCE (1) LEISURE (1) PAPERS (3) TRUSTS (2) OILS (1) OVERSEAS TRADERS (1) MINES (3).
NEW LOWS (131). BRITISH FUNDS (73) INT.BANK & O'SEAS GOVT. STLG. ISSUES (10) FOREIGN BONDS (3) AMERICANS (2) CANADIANS (2) BANKS (3) BUILDINGS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) INDUSTRIALS (5) Cresta, Mid Kent Wrrnts., RKF, Ropner 'A', Tribble Harris, LEISURE (3) MOTORS (1) PAPERS (2) PROPERTY (3) TRANSPORT (1) TRUSTS (4) OILS (2) MINES (1).

APPOINTMENTS

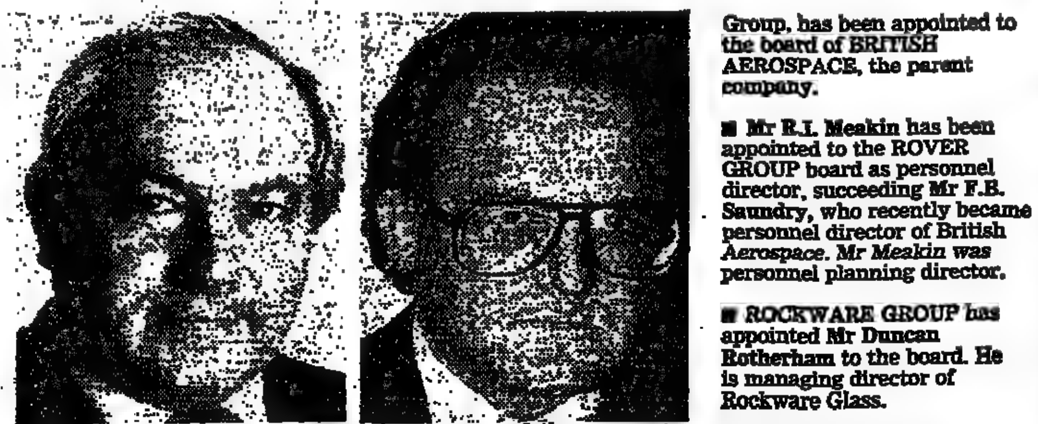
■ Mr Martin Kolk has been appointed managing director of ROLLS-ROYCE & PARTNERS FINANCE from January 22. He is managing director of Aircraft Finance and Trading, a wholly-owned subsidiary of Fokker. Mr Kyle Wolfe has joined the company as a vice president. He was a vice president at Chemical Bank in London and New York. Rolls-Royce & Partners Finance is a company formed in partnership with Chrysler Capital Corp, Mitsubishi Trust and Banking Corp, and National Westminster Bank, to provide support in the sale and financing of aerospace and power generation equipment.

■ Lord Blakenham, chairman and chief executive of Pearson, has been appointed a non-executive director of MEPC.

■ Mr Nick Tamblyn, commercial director of FIRST LEISURE CORP, has been appointed to the board.

■ THE RANK ORGANISATION has appointed Mr Peter Howard-Williams as managing director of Rank Advertising Films. He succeeds Mr Douglas Thomas who has retired as managing director. Mr Howard-Williams was sales director and general manager.

■ LONDON & BISHOPSGATE INTERNATIONAL INVESTMENT MANAGEMENT has appointed Mr Mark Tapley as managing director. He was director - equities of Shearson Lehman's global asset management arm, and succeeds Mr Andrew Smith who is moving to New York.



Mr Glenn Cooper *(left)*, a managing director of the corporate finance division, has been promoted to head of corporate finance at HENRY ANSBACHER & CO; Mr Fraser Jennings *(right)* becomes managing director in charge of treasury. He was with Prudential Bache, where he was managing director for UK equity broking.

■ Mr Anthony Wieler has joined the London office of ALBERT E. SHARP & CO, stockbrokers, as an associate director. He was founder-chairman of Anthony Wieler & Co.

■ *Mr Michael Clarke* has been appointed chairman of INTEX YARNS, Manchester. He was a director of Courtaulds Acetates and managing director of Courtaulds Filament Yarns.

■ Mr Keith Arscott has been appointed development manager, and Mr Phillip Wiseman finance and administration manager of HAMBRO GUARDIAN ASSURANCE's direct sales force.

■ Mr R.O. Prickett, a director of London Securities and Explaura Holdings, will join the board of FIRSTLAND OIL & GAS. Mr D.J.P. Bryans will resign.

■ Lord Chilver, chairman of English China Clays, has been appointed a non-executive director of LING DYNAMIC SYSTEMS.

■ Mr George Simpson, managing director of the Rover Group, has been appointed to the board of BRITISH AEROSPACE, the parent company.

■ Mr R.I. Meakin has been appointed to the ROVER GROUP board as personnel director, succeeding Mr F.B. Saundry, who recently became personnel director of British Aerospace. *Mr Meakin* was personnel planning director.

■ ROCKWARE GROUP has appointed Mr Duncan Rotherham to the board. He is managing director of Rockware Glass.

■ Following the merger of *Coopers & Lybrand* and Deloitte Haskins & Sells to form COOPERS & LYBRAND DELOITTE Mr John Hawksley becomes office partner-in-charge, Birmingham, and regional managing partner, Midlands area - he was with Deloittes; and Mr David Maxwell becomes managing partner of the enlarged Brmingham practice - he was with Coopers.

■ FKI has appointed Mr Alan Baxter as managing director of its electrical products group. He is managing director of GEC-Alsthom's European switchgear operation. He succeeds Mr Norman Scoular, who was appointed FKI chief executive last October.

■ Mr Martin Buckley has been appointed managing director of JOHN WADDINGTON. He joined the board in 1987.

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AUTHORISED UNIT TRUSTS

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or −	Yield Grs
High Income						
American Income	6	52.63	52.63	56.29	−0.41	4.87
Gilts & Fixed Int	6	106.2	106.2xd	112.5	−0.2	[illegible]
Mega Inc Equity	6	138.0	138.0xd	147.6	−0.2	[illegible]
Worldwide Bond	6	202.1	202.1	214.2	−0.2	[illegible]
Capital Growth						
American Growth	6	188.5	188.5xd	201.7	+2.4	1.29
Asian Pacific	6	125.4	125.4xd	134.2	+0.9	[illegible]
Assets & Earnings	6	159.8	159.8	171.0	+0.4	2.16
Capital Reserve Acc	0	88.59	88.59	88.70	−0.08	6.76
Capital Reserve Inc	0	78.63	78.63	78.72	−0.07	7.62
Commodity & Energy	6	119.7	119.7	128.1	[illegible]	[illegible]
Dividend & Growth	6	46.86	47.86	50.92	−0.03	[illegible]
1992 Enterprise	6	62.71	62.71	67.07	−0.9	[illegible]
Euro Capital Acc	6	100.7	101.5	108.0	−0.2	0.88
Euro Capital Inc	6	97.04	97.76	104.0	−0.2	0.73
General	6	181.3	181.3	193.0	+0.3	[illegible]
International	6	61.36	[illegible]	65.47	−0.36	0.73
Japan	6	115.5	115.5	123.6	+0.1	0.00
Mastertrust	6	[illegible]	92.46	98.89	+0.39	1.72
UK Growth Acc	6	183.4	183.4	196.2	+0.2	1.82
UK Growth Dist	6	121.3	121.3	129.8	+0.2	2.35
US Emerging Cos	6	53.44	53.44	57.18	+1.74	0.60
Income & Growth	6	309.1	309.1	330.6	+1.0	3.10
Ethical	6	48.20	48.20	51.56	[illegible]	[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5½	32.11	32.11	34.27	−0.1	[illegible]
European	5½	81.88	82.36	87.61	−0.9	[illegible]
European Income	5½	77.86	78.64	83.76	−0.05	[illegible]

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGE
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✡ – 0001 to 1100 hours; ◆ – 1101 to 1400 hours; ▲ – 1401 to 1700 hours; ● – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm valuation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange Sqre, London E14 9GJ 01-955 5055						
American ◆	5¼	69.74	69.74	74.58	+1.15	1.5
Intl Growth ◆	5¼	82.43	82.43	88.16	+1.50	0.8
Income ◆	5¼	133.5	133.5	142.7	+0.88	4.8
Japan Growth ◆	5¼	240.8	240.8	257.5	+2.90	0.1
Pacific Perf ◆	5¼	155.2	155.2	165.9	-0.60	0.1
Small Co's ◆	5¼	134.7	134.7	144.0	+0.90	1.4
Technology	5¼	33.93	33.93	36.28	+0.45	0.1
Australia	5¼	63.93	63.93xd	68.37	+0.77	2.8
UK Trust ◆	5¼	181.8	181.8	194.4	+2.20	2.6
European Growth ◆	5¼	76.32	76.31	81.61	+1.69	0.1
Hong Kong ◆	5¼	32.73	32.73	35.00	+0.07	1.9
Intl Income	5¼	21.76	21.76xd	23.27	+0.07	7.2
S'tore & Mlyn Gth	5¼	40.19	40.19	42.98	+0.30	0.1
British Winners ◆	5¼	26.74	26.74	28.59	+0.35	2.2
Japan Smlr Cos ◆	5¼	33.58	33.74	36.09	+1.30	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.07	16.07	17.09	+0.28	0.00
Pacific Basin	6	29.94	29.94	31.85	+0.11	0.60
Can Balnced Gwth ◆	6	46.26	46.26	49.21	+0.46	0.10
Ginnie Mae ◆	4	0.9725	0.9725	1.0130	[illegible]	7.59
Penny Share	6	29.03	29.03	30.88	-0.04	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	145.0	148.0xd	157.4	+1.0	5.80
Wellington Growth	5¼	239.7	240.2	255.5	-0.6	1.59
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth.	4¼	111.8	115.6	120.4	+1.0	1.92
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger & F	2¼	61.29	61.29	62.65	-0.06	0.00
Short Dtd Gilt ◆ F	1¼	82.88	82.88	84.02	+0.05	6.01
U.S. Govmt Bond ◆ F	1¼	.5794	.5794	.5870	[illegible]	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Aust Friars W'wide	5	200.6	204.4xd	217.4	-6.1	2.45
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	58.32	58.32	61.14	+0.16	7.43
European	5	82.88	83.15	88.46	+1.09	0.08

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
Bond	419.04	419.05	-0.72	-
Property	246.30	246.31	-1.34	-
Overseas Investment	306.39	306.40	-6.66	-
Pension Funds (Accumulation Units)				
Squirrel	15.94	16.78		-
Bear	17.40	18.32	+0.01	-
Owl	23.18	24.41	-0.03	-
Bull	20.26	21.33	-0.12	-
Stag	19.72	20.76	-0.13	-
Gilt Edged	13.79		-0.01	-
Deposit	13.70			-
North American	10.24	10.78		-
European	12.17	12.82	-0.14	-
Property	11.96	12.59	-0.13	-
Index-Linked	11.99	12.63	-0.03	-
Far Eastern	14.16	14.91	-0.09	-
UK Equity	15.88	16.72	-0.06	-
Fixed Interest	12.05	12.69	-0.01	-
Gilt Edged (89)	9.97	10.50	-0.01	-
1982 Series				
Managed	298.15	313.85	-1.78	-
Pre 1982 Series				
Aetna Life				
3 Way	713.47	713.48	-5.68	-
Equity Pensions	1246.30	1246.31	-13.55	-
Aetna Pensions Ltd				
3-Way Managed	641.63	641.63	-7.82	-
Exempt Account				
Mixed Managed	219.55	224.04	-0.99	-
Gilt Edged	13.79		-0.01	-
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	147.0	154.7	+0.4	-
Equity Fd Acc(z)	1085.7	1142.8	+1.8	-
European Fd Acc(z)	288.3	303.4	+0.7	-
Intl Fxd Int Fd Acc(z)	211.4	222.4	-0.2	-
Fixed Int Acc(z)	344.6	362.6	-1.3	-
Gtd Money Fd Acc(z)	246.4	259.4	+0.1	-
High Income Fd Acc(z)	123.2	129.7		-
Intl Man Fd Acc(z)	425.0	447.4	-0.3	-
Japan Fd(z)	310.2	326.4	+2.4	-
UK Smllr Co's Fd Acc(z)	112.5	118.3		-

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Magd	619.5	652.8	+2.9	–
Adventurous Magd	136.1	143.5	+1.1	–
Secure Magd	111.4	117.4	–0.3	–
Cash Fd	245.3	258.5	----	–
Property Fund	301.5	317.8	..	–
Equity Fund	705.8	743.8	+3.7	–
Fxd Int. Fund	295.1	311.0	..	–
International	326.5	347.4	..	–
High Income	446.6	475.2	+3.0	–
Far East	457.5	486.8	+2.5	–
North American	271.8	289.2	+1.2	–
Special Sits	627.2	667.3	+12.8	–
Technology	260.5	277.2	+3.4	–
Extra Inc Fd	279.4	297.3	+11.5	–
Convertible & Gilt Fd	151.4	161.1	+0.4	–
American Income	131.6	140.0	+0.3	–
Gilt Fund 20	298.3	317.4	..	–
European Fund	117.8	125.4	–0.1	–
Pref & Fixed Inc	99.0	104.4	–1.6	–
Equity Income Dist	100.8	106.3	+0.8	–
Managed Dist	99.2	104.6	+0.2	–
Pension Funds				
Balncd Gth Mngd Pens Acc	600.6	632.3	+1.6	–
Adventurous Mngd Pens Acc	129.8	136.7	+1.1	–
Secure Mngd Pens Acc	110.8	116.7	–0.3	–
Building Soc. Acc	261.0	274.8	--	–
Property Pens. Acc	309.1	325.4	----	–
Fix Int. Pens. Acc	417.2	439.2	----	–
Equity Pens. Acc	793.7	835.5	+3.3	–
International Pens Acc	317.0	333.7		–
High Inc Pens Acc	500.3	526.7	+3.7	–
Tech Pens Acc	166.5	175.3	+2.7	–
N American Pens Acc	187.4	197.3	+0.9	–
Far Eastern Pens Acc	448.6	472.3	+2.7	–
Special Sits Pens Acc	520.6	548.1	+5.4	–
Extra Income Pens Fd	339.3	357.2	+7.1	–
Convertible & Gilt Pen	167.7	176.6	+0.5	–
American Inc Pens	145.7	153.4	+0.5	–
European Pens	126.5	133.2	–0.2	–
Managed Cash Pens	120.1	126.5	----	–
Pref & Fixed Pens	102.6	108.1	–1.7	–
Other Funds				
Margetts Growth	92.6	97.5	+0.7	–

Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

	Bid Price	Offer Price	+ or –	Yield Gross
Multi Gwth		508.75	----	–
Multi Gwth "A"	508.7	535.5	----	–
Op Prop	418.3	440.4	–	–
Op Equity	757.6	797.5	+0.3	–
Op High Yld	348.5	366.9	–1.1	–
Op Man	590.7	621.8	+0.2	–
Op Dep	289.0	304.3	+0.5	–
Op Inc Dist	199.5	210.1	–0.3	7.73
Op Int Man	333.7	351.3	+0.7	–
Op Emerging Co's	298.0	313.7	+0.5	–
Pension Funds–Series B				
Property	755.2	795.0	----	–
Equity	1950.1	2052.8	+4.6	–
Fixed Interest	633.7	667.1	–3.0	–
Managed	1037.8	1092.5	+1.5	–
Deposit	560.2	589.7	+1.4	–
Gartmore Global	190.1	200.2	–0.7	–
Gartmore NA	93.7	98.76	+0.3	–
Gartmore Pacific	254.1	267.5	–0.4	–
Henderson Acc	197.5	207.9	–1.5	–
Perpetual Mng	200.1	210.7	–1.7	–
Framlington Mng	188.5	198.5	–1.1	–
Gartmore Pen Mngd	193.0	203.2	–1.5	–
Gartmore Pen Euro	155.0	163.2	–2.3	–
Beckman Pension Fund	126.1	132.8	----	–
Suffolk Cap Pen Fd	116.9	123.1	----	–
IMC Pen SB Ser B	95.0	100.0	----	–
Pension Funds–Series D				
Property	192.1	192.1	----	–
Equity	130.6	130.6	+0.3	–
Fixed Interest	155.8	155.8	–0.6	–
Managed	131.6	131.6	+0.2	–
Deposit	164.7	164.7	+0.4	–
Gartmore Global	119.5	119.5	–0.5	–
Gartmore NA	106.2	106.2	+0.3	–
Gartmore Pacific	133.5	133.5	–0.2	–
Henderson Acc	146.1	146.1	–1.0	–
Perpetual Mng	146.2	146.2	–1.2	–
Framlington Mng	150.6	150.6	–0.9	–
Gartmore Pen Mngd	158.7	158.7	–1.1	–
Gartmore Pen Euro	118.6	118.6	–1.7	–
Knightsbridge CNS Pen	106.9	106.9	----	–
Ark Euro Pen	164.1	164.1		–

For Pensions Capital Units please ring ext 350/352

Baring Funds

	Bid Price	Offer Price	+ or –	Yield Gross
Australia	102.4	107.8	+0.9	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

[illegible]

JERSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	98	Exch 11pc 1990‡‡	99¼xd	.....	–	–
101	99	Exch. 12½pc 1990	99½	.....	12.56	14.98
97	91	Treas. 3pc 1990	97	+	3.08	1.113
97	95	Treas 8¼pc 1987-90‡‡	97	–	8.45	14.04
98	95	Treas. 8pc Cv 1990 ‡‡	97	–	8.23	14.13
98	96	Treas. 10pc Cv 1990	96	–	10.34	14.66
93	87	Exch 2½pc 1990	93	–	2.68	11.18
101	97	Treas 11¾pc 1991	97	–	12.03	14.36
93	89	Funding 5¾pc '87-91‡‡	92	–	6.21	12.49
90	86	Treas. 3pc 1991	90	–	3.32	11.18
100	95½	Treas 10pc Cv '91 ‡‡	95½	–	10.47	13.90
101	96	Exch. 11pc 1991	96	–	11.43	13.45
94	91	Treas. 8pc 1991	91	–	8.76	13.35
106	99	Treas 12¾pc 1992‡‡	99xd	–	12.79	12.95
99½	94	Treas 10pc 1992	94xd	–	10.56	13.00
94	90	Treas. 8pc 1992 ‡‡	90	–	8.29	12.93
100¼	95	Treas 10½pc Cv 1992‡‡	95	–	10.99	12.79
85	82¼	Treas. 3pc 1992	83	.....	3.57	10.74
105	98	Exch. 12¼pc '92	98	–	12.42	12.85
109	101	Exch 13½pc 1992	101	–	13.27	12.68
94	89	Treas 8¼pc 1993	89xd	–	9.22	12.48
100	94	Treas 10pc 1993‡‡	94	–	10.64	12.28
108	100	Treas 12½pc 1993‡‡	100	–	12.42	12.28
88	84	Funding 6pc 1993‡‡	84	–	7.06	11.09
113	104	Treas 13¾pc 1993‡‡	104	–	13.13	12.14
94	88	Treas. 8½pc 1994	88xd	–	9.58	12.12
117	108	Treas 14½pc 1994‡‡	108	–	13.41	11.95
113	104	Exch 13½pc 1994	104	–	12.90	12.04
100	93	Treas. 10pc Ln. 1994‡‡	93	–	10.66	11.84
110¼	101¼	Exch. 12½pc 1994	101¼xd	–	12.28	12.00
96	90	Treas 9pc 1994‡‡	90	–	10.01	11.80
		Five to Fifteen Years				
108	100	Treas 12pc 1995	100xd	–	11.95	11.89
79	72	Exch 3pc Gas 90-95	75½	.....	3.97	8.62
101	94	Exch. 10¼pc 1995	94xd	–	10.89	11.74
113	104	Treas 12¾pc 1995‡‡	104	–	12.18	11.60
119	109	Treas. 14pc '96	109¼xd	–	12.83	11.83
97½	89	Treas 9pc 1992-96‡‡	89	–	10.10	11.58
126	115	Treas 15¼pc 1996‡‡	115	–	13.18	11.65
117	107	Exch 13¼pc 1996‡‡	107	–	12.35	11.59
101	93	Conversion 10pc 1996	93	–	10.75	11.48
118	108	Treas 13¼pc 1997‡‡	108xd	–	12.25	11.52
104	95½	Exch 10½pc 1997	95½xd	–	11.00	11.45
95	87	Treas 8¾pc 1997‡‡	87	–	10.06	11.23
128	116	Exch 15pc 1997	116	–	12.84	11.63
100	91	Exch. 9¾pc 1998	91xd	–	10.61	11.30
84	77	Treas 6¾pc 1995-98‡‡	77	–	8.68	10.87
134	122	Treas. 15½pc '98‡‡	122	–	12.73	11.46
113	103	Exch. 12pc 1998	103	–	11.62	11.38
100	91	Treas 9½pc 1999‡‡	91	–	10.39	11.01
115	105	Exch. 12¼pc 1999	105	–	11.66	11.34
105	96	Treas. 10½pc 1999	96	–	10.95	11.21
104	94	Conversion 10¼pc 1999	94	–	10.86	11.17
94	85	Treas. 8½pc Ln 2000‡‡	85	–	9.94	10.91
97	88	Conversion 9pc 2000‡‡	88	–	10.18	10.92
122	110	Treas. 13pc 2000	110	–	11.79	11.30
103	93	Treas 10pc 2001	93	–	10.70	11.02
124	112	Treas. 14pc '98-01	112	–	12.43	11.59
102	92	Conversion 9¾pc 2001	92xd	–	10.58	10.96
113	103	Exch. 12pc '99-02	103xd	–	11.63	11.41
104	94	Conversion 10pc 2002	94	–	10.65	10.90
102	92	Treas 9¾pc 2002	92	–	10.56	10.87
97	87	Exch. 9pc 2002	87	–	10.28	10.80
126	114	Treas. 13¾pc 2000-03	114xd	–	12.01	11.35
105	94	Treas 10pc 2003	94	–	10.57	10.75
113	102	Treas. 11½pc 2001-04	102	–	11.26	11.15
106	95	Treas. 10pc 2004	95	–	10.53	10.69
59	53	Funding 3½pc '99-04	53	–	6.58	9.53
102	91	Conversion 9½pc 2004	91	–	10.36	10.62
		Over Fifteen Years				

BRITISH FUNDS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103	91	Conversion 9½pc 2005	91	–	10.34	10.58
111	99	Exch. 10½pc 2005	99	–1	10.55	10.55
125	112	Treas. 12½pc 2003-05	112	–1	11.15	10.78
90	80	Treas. 8pc 2002-06‡‡	80	–	9.93	10.48
118	106	Treas. 11¾pc 2003-07	106xd	–	11.02	10.79
96	85	Treas 8½pc 2007 ‡‡	85	–	9.94	10.30
134	120	Treas. 13½pc '04-08	120	–1	11.24	10.71
101	89	Treas. 9pc 2008 ‡‡	89	–1	10.03	10.23
94	89	Treas. 9pc 2008 B	89	–1	10.03	10.23
92	81	Treas 8pc 2009	81	–	9.81	10.19
102	90	Conv 9pc Ln 2011 ‡‡	90xd	–1	10.00	10.16
68	59	Treas. 5½pc 2008-12‡‡	59	–1	9.18	9.99
89	78	Treas. 7¾pc 2012-15‡‡	78xd	–1	9.86	10.11
132	116	Exch. 12pc '13-'17	116	–1	10.33	10.17
		Undated				
45	39	Consols 4pc.	39xd	–	10.06	–
40	34	War Loan 3½pc‡‡	34	–	9.98	–
70	60	Conv. 3½pc '61 Aft	60	–	5.78	–
41	30	Treas 3pc '66 Aft	30	–	9.64	–
30¼	24	Consols 2½pc	24	–	10.11	–
29½	24	Treas. 2½pc	24	–	10.26	–

Index-Linked

1989/90 High	Low	(b)	Price £	+ or –	(1)	(2)
112¾	103	Tr 2pc '92‡‡(97.8)	111	–¼	3.50	4.63
105	94	Do. 2 '94 (102.9)	104	–¼	3.16	3.72
156	139	Do 2pc '96(67.9)	155	–	3.12	3.50
131	118	Do 2½pc '01(78.3)	129	–	3.56	3.80
128	115	Do. 2½pc '03(78.8)	126	–	3.63	3.84
131	117	Do. 2pc '06(69.5)	129xd	–	3.65	3.83
123	110	Do. 2½pc '09(78.8)	120	–	3.64	3.80
128	114	Do. 2½pc '11(74.6)	125xd	–	3.63	3.78
107	95	Do. 2½pc '13(89.2)	104½xd	–	3.61	3.75
115	101	Do. 2½pc '16(81.6)	113xd	–	3.56	3.70
113	100	Do. 2½pc '20(83.0)	110	–	3.52	3.64
95	84	Do. 2½pc '24‡‡(97.7)	93	–	3.47	3.58

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1989: 114.3 and for November 1989: 118.5.

INT. BANK AND O'SEAS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108	96	African Dv Bk 11¼Ln 2010	96	–	11.51	11.55
104	92	Asian Dev Bk 10¼pcLn2009	92	–	11.06	11.18
130	116	Australia 13½pc 2010	116	–	11.63	11.45
113	99	Do 11¾pcLn2015	99	–	11.41	11.40
110	97	Euro Inv Bk 11pc Ln 2002	97	–	11.32	11.42
119	106	Int-Am Dev Bk 12½pc 2003	106	–	11.77	11.56
99	87	Do 9¾pcLn 2015	87	–	11.13	11.24
97½	88	Mlysia 10¾pcLn 2009	88	–¼	12.11	11.27
120	110	Utd Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111¼	95½	Birmingham 11½pc 2012	100½	.....	11.44	11.40
91	85½	GLC 6¾pc 1990-92	88½xd	.....	7.63	12.80
124½	115½	Leeds 13½pc 2006	115½	.....	11.69	11.69
93	29	Liverpool 3½pc Irred	30	.....	11.67	–
95½	92	LCC 6¾pc '88-90	95½xd	.....	7.07	11.60
30	26	Do. 3pc '20 Aft	27	+1	11.11	–
107½	99½	Manchester 11½pc 2007	100½	.....	11.44	11.40

COMMONWEALTH & AFRICAN LOANS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	87¼	.....	8.31	12.50
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Building Societies				
100½	98¼	N'wide Anglia 12¾pc 29.1.90	99	.....	12.57	15.28
100	98¼	Do. 12pc 26.2.90	99	.....	12.74	15.39
100	98	Do. 12¾pc 19.3.90	99	.....	12.94	15.34
100	98	Do. 13¼pc 23.4.90	99	.....	13.45	15.26
100	98	Do. 13pc 14.5.90	99¼	.....	13.10	15.23
100	98	Do. 13pc 4/6/90	99	.....	13.77	15.22
100	99¼	Do. 14¼pc 2.7.90	99	.....	14.36	15.03
100	98	Do 13½pc 23.7.90	99	.....	13.71	14.97
100	98	Do. 13pc 13.8.90	99xd	.....	13.53	14.90
100	98	Do. 13½pc Bds 3.9.90	99	.....	13.63	14.85
109	98½	Do. 3¾pcIL Ln 2021	108	.....	4.31	4.49
109	99	Do. 4.25pcIL '24	107½	.....	4.28	4.29
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	.....	3.50	7.00
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	6.00
50	40	Do 4pc Mixed Ass.	50	.....	2	4.00
80	65	Hung. '24 Ass.	80	.....	2.75	3.57
139	123	Hydro Quebec 15pc 2011	123	–	15.00	11.91
128	113	Iceland 14½pc Ln 2016	113	–½	14.50	12.70
97¼	89¼	Ireland 9¾pc '91-96	89¼	–¼	10.89	12.10

AMERICANS

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44	26	Abbott Laboratories‡	40xd	+¼	$1.40	–	2.1
579p	361p	♦Allegheny & W 1c	508p	+8	30c	–	3.6
18	12	Amax $1	15xd	.....	80c	–	3.1
11	6	Ambase Corp $1	6	.....	20c	–	1.8
15	695p	Amdahl 5c	867xd	+19	h10c	–	0.7
37	25½	Amer Cyanamid $5	32	+	$1.35	–	2.5
25	14	Amer. Express 60c	19xd	–	92c	–	2.8
29	15	American T. & T. $1	26¼	+	$1.20	–	2.7
42	26	Amerltech $1	37	+	h$2.92	–	4.7
659p	490p	♦Atlamerica Equity‡	523p	–15	–	–	–
22	9	BankAmerica $1	16½xd	+	60c	–	2.2
37	19	Bankers N.Y. $1	24xd	+	$2.12	–	5.3
70	38½	Bell Atlantic $1	60	+½	$4.40	–	4.4

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅝	847p	Hasbro Inc 50c	12¼	+¼	16c	–	0.8
57½	32¾	Honeywell $1½	51½	+¾	$2.75	–	3.2
22⅝	15¼	Houston Inds ‖	21		$2.96	–	[illegible]
76	58½	IBM Corpn $1¼	68	+1½	$4.84	–	4.0
60p	45p	Image Storage/R.Sys.1c	45p	...		–	–
32	18½	Ingersoll-Rand $2	36⅝	+¼	$1.20	–	2.4
33¼	[illegible]	Lockheed Crpn $1	24⅝	+¼	$1.80	–	4.5
22¾	8⅝	Lone Star Inds $1	8⅝	...	$1.90	–	13.2
28	17½	Louisiana Land 15c	24½	...	$1.00	–	2.6
20½	11½	Lowe's 50c	16	...	52c	–	2.1
28	15	Manuf Hanover $1	19⅝	+	$3.28	–	10.6
22	13	Merrill Lynch $1	14⅞	+	$1.00	–	4.3
24¾	19½	Molex Inc.	21	–¼	3.2c	–	–
30½	18½	Morgan (JP) $2½	22	–	$1.82	–	5.0
28	23	Morris (Philip)	23	+	$1.13	–	3.0
56⅜	36½	NYNEX $1	50¼	+¼	$4.36	–	5.5
44p	11p	N'wide Legal Serv.‖	15p	–4		–	–
24⅞	18¼	PHH Corp. ‖	20¼	–¼	$1.16	–	3.5
259p	167p	Pacific Agr ‖	187p	..		–	–
29⅝	19	Pacificorp $3¼	27½	...	$2.76	–	[illegible]
31	16⅞	Pacific Telesis 10c	28½	+¼	$1.88	–	4.2
22⅞	15¼	Pall Corp 25c	20½	+	48c	–	1.5
55½	39	Pennzoil 83 1/3c	50⅝	+	$3.00	–	3.7
42¼	28¼	Quaker Oats $5	34¼	+	$1.40	–	2.6
32⅜	23½	Rep NY Corpn $5	29½	–⅛	$1.28	–	2.8
16¼	11	Rockwell Intl $1	13	+	78c	–	3.6
29½	22	Sears, Roebuck 75c	22	–	$2.00	–	5.6
40¼	21⅝	Southwestern Bell $1	33	+	$2.60	–	4.8
27⅞	17	Sun Co Inc. $1	24		$1.80	–	4.6
31⅜	22	TRW Inc 62½c	29	...	$1.72	–	[illegible]
40	26¼	Tenneco $5	36⅝	+¼	$3.04	–	5.3
36	28	Texaco $6 25	33¼	....	$3.00	–	5.6
28	18	Texas Instr $1	21¼	+⅛	80c	–	2.3
117	58⅝	Time Inc. $1	79	–	$1.00	–	0.8
19⅝	13	TRINOVA Corp.	14¼	+	56c	–	2.9
26¼	16	USX $1	21½	+½	$1.40	–	4.1
325p	126p	Unilab	318p	...		–	–
36⅝	22¼	Utd Technologies	31	–	$1.40	–	3.2
168p	121p	Utilitech Inc	136p	...		–	–
50¼	31½	US West‖	43⅞	+¼	$3.76	–	5.4
22⅞	11	Waste Management $1	19⅞	+⅛	32c	–	1.0
20½	13½	Whirlpool $1	19	–¼	$1.10	–	3.7
24¼	16	Whitman Corp	16¼	–	$1.02	–	4.0
40	28¼	Woolworth $3½	37¼	+¼	$1.80	–	3.2

CANADIANS

High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
186p	129p	A&M Gold Corp ‖	156p	–10	–	–	–
45p	4½p	Abbot Energy Corp	24p		–	–	–
10⅞	401p	Amer. Barrick Res	10¼	–¼	–	–	–
39½p	10½p	Armeno	17½p	+⅛	–	–	–
33½p	6½p	Augmitto Explo	10p	....	–	–	–
19¼	12⅞	Bk Montreal ‖	15⅞	...	$2.12	–	7.2
10¼	655p	Bk Nova Scot.‖	784p	+3	92c	–	6.4
831p	599p	BC Gas $1.	781p	....	60c	–	4.2
24¼	17	BCE ‖	23⅞	–⅛	$2.44	–	5.7
17	12¼	Brascan‖	13½	...	88c	–	[illegible]
228p	108p	Breakwater Res.	125p	–10	10c	–	4.3
18¼	11¼	Can Imp Bank‖	15¼	+¼	$1.24	–	4.3
15¼	997p	Can Pacific ‖	13	....	92c	–	[illegible]
41½	37	Do. 4pc Deb £100	[illegible]	...	4%	–	10.8

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. [illegible] dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	88	-1
Craig & Rose £1	y	830	..
Finlay Pkg. 5p	y	57	......
Holt (Jos) 25p	y	1340	-8

IRISH

Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln. 1996	£96½	......
Fin. 13% 97/02	£113	......
Arnotts	415	......
Carrol (P.J.) y	170	+2
Hall (R. & H.)	185	......
Helton Hldgs y	100	+10
IRG	206d	......
United Drug	170	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	13
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound lose ground

THE DOLLAR weakened on disappointing US trade data but managed to climb back above a technical support point of $1.6820, after touching a low of $1.6790. Sentiment was weak, following the largest monthly trade gap in 1989 of $10.50bn for November, but the US currency seemed to have survived the worst by the time of the London close.

The deficit compared with a revised shortfall of $10.25bn in October, and was larger than market forecasts of around $9.5bn. A rise of 0.4 per cent in December US industrial production and capacity utilisation of 83.3 per cent for the same month were above expectations, but had little impact.

The dollar finished in London at $1.6900, compared with $1.6945 on Tuesday, but although it showed some sign of recovery dealers said the latest figures only make it more likely that the US Federal Reserve will ease its monetary stance. There was no move from the Fed yesterday. As expected, the US authorities took no action, as Federal funds traded at 8¼ per cent, against an assumed target level of 8¼ per cent.

The US currency declined to FFr5.7450 from FFr5.7625 and to SFr1.5070 from SFr1.5160, but was unchanged at Y145.45. Its index fell to 67.1 from 67.3.

The dollar was little changed in London from its Tokyo close of Y145.50. Japanese traders emphasised that attention has moved towards political events in the Soviet Union and eastern Europe and away from economic fundamentals.

There was no obvious reaction to the West German Bundesbank's decision to drain a net DM4.1bn from the Frankfurt money market at this week's securities repurchase agreement tender. The central bank accepted bids of only DM21.5bn for 28-day and 56-day funds, against two expiring facilities of DM25.6bn.

German banks are generally well supplied with liquidity at present, and the move to drain funds appeared to be purely technical and did not signal any tightening of monetary policy. The D-Mark traded steadily within the EMS, but lost a little ground to the French franc ahead of today's French trade figures. The German currency fell to FFr3.3995 from FFr3.4007 on forecasts that the French trade deficit will narrow to around FFr3.9bn in November from FFr8.68bn in October.

Sterling suffered from recent disappointing UK economic news, including yesterday's announcement of a lower than expected PSDR figure. Large selling orders for sterling, including one of $100m in the morning, hit the currency and it fell towards the London close on news that unions at Ford Motor had rejected an improved pay offer and will hold a strike ballot.

Sterling fell 60 points to $1.6500. It also declined to DM2.7875 from DM2.8050; to FFr9.4800 from FFr9.5425; to SFr2.4875 from SFr2.5100; and to Y240.00 from Y240.75. The pound's index lost 0.5 to 87.8.

EURO-CURRENCY INTEREST RATES

Jan 17	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15¼-14½	15¼-14½	15¼-15⅛	15⅜-15¼	15⅜-15¼	15⅜-15¼
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼
Can. Dollar	12¼-11¾	12¼-11¾	12-11¾	11⅞-11¾	11⅝-11½	11¼-11
D. Guilder	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8¾	9¼-8⅞	9¼-8⅞
Sw. Franc	9¼-9⅛	9⅜-9¼	9⅜-9¼	9⅜-9¼	9¼-9⅛	9¼-9⅛
Deutschmark	7⅞-7¾	7⅞-7¾	8-7⅞	8⅛-8	8⅜-8¼	8⅝-8½
Fr. Franc	10½-10⅜	10⅝-10½	10⅝-10½	11⅛-11	11¼-11⅛	11⅜-11¼
Italian Lira	13-11	12¾-11¾	12¾-12½	12⅞-12¾	12⅞-12¾	13⅛-13
B. Fr. (Fin)	10½-10⅜	10½-10⅜	10½-10⅜	10⅝-10½	10¾-10⅝	10⅞-10¾
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Kroner	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8⅞-8¾ per cent; four years 9-8⅞ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Jan 17	Latest	Previous Close
£ Spot	1.6510-1.6520	1.6530-1.6540
1 month	0.99-0.98pm	1.01-1.00pm
3 months	2.73-2.70pm	2.75-2.72pm
12 months	9.65-9.55pm	9.55-9.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.17	Previous
8.30 am	[illegible]	[illegible]
9.00 am	[illegible]	[illegible]
10.00 am	[illegible]	[illegible]
11.00 am	[illegible]	[illegible]
Noon	[illegible]	[illegible]
1.00 pm	[illegible]	[illegible]
2.00 pm	[illegible]	[illegible]
3.00 pm	[illegible]	[illegible]
4.00 pm	[illegible]	[illegible]

CURRENCY RATES

Jan.17	Bank rate %	Special* Drawing Rights	European‡ Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

* Sterling quoted in terms of SDR and ECU per £. ‡ European Commission Calculations. † All SDR rates are for Jan.16

CURRENCY MOVEMENTS

Jan.17	Bank of England Index	Morgan* Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Jan.16

OTHER CURRENCIES

Jan.17	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Jan.17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 58.45-58.55. Six-month forward dollar 5.43-5.38pm. 12 Month 9.77-9.67pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible franc. Financial franc 35.40-35.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6529	+1.15	+1.15	±1.5335
Danish Krone	7.79845	7.87083	+1.03	+1.03	±1.6453
German D-Mark	2.05586	2.02599	-0.41	-0.41	±1.1562
French Franc	6.85684	6.89384	-0.98	-0.98	±1.3618
Dutch Guilder	2.30950	2.29997	-0.37	-0.37	±1.5177
Irish Punt	0.763159	0.769904	+0.85	+0.88	±1.6669
Italian Lira	1529.70	1519.58	-0.41	-0.41	±4.0815
Spanish Peseta	132.689	131.230	-1.25	-1.25	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan.17	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

POUND-$ (FOREIGN EXCHANGE)

DEUTSCHE MARK (IMM) DM125,000 $ per DM

U.S. TREASURY BILLS (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM) SFr 125,000 $ per SFr

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM 1m points of 100%

THREE MONTH ECU ECU 1m points of 100%

FT-SE 100 INDEX £25 per full index point

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 90 Vol	Last	May 90 Vol	Last	Aug. 90 Vol	Last	Stock
Gold C	$400	55	17.40	10	24			$410.30
Gold C	$420	34	3.60 a	11	18			$410.30
Gold P	$450					125	15.50	$410.30

TOTAL VOLUME IN CONTRACTS : 60,682

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates higher

FEARS OF further bad economic figures sent a nervous shiver through the London money market yesterday. Three-month sterling interbank rose to a level at which the market is beginning to look for a rise in bank base rates, climbing to 15¼-15⅛ from 15⅛-15 per cent. One-year money advanced to 15⅜-15¼ from 15¼-15 per cent, moving up ⅜ point since the beginning of the year.

UK clearing bank base lending rate 15 per cent from October 5

As cash rates firmed, short sterling futures weakened on the Liffe market. The short sterling contract for March delivery fell through a strong support level of 84.80 to finish at the day's low of 84.68, compared with 84.84 on Tuesday.

The UK Public Sector Debt Repayment for December of £400m was much smaller than the expected figure of £2.2bn, leading to fears that the Budget surplus for the present financial year could fall short of the Government's £12.5bn estimate.

Monday's news of surprisingly strong UK retail sales in December continued to worry traders ahead of today's data on UK wages and Friday's figures on retail prices. Forecasts for the December year-on-year inflation rate are generally around 7.8 per cent, against 7.7 per cent in November, but a rise to 8.0 per cent is not ruled out.

A large shortage of £1,200m was initially forecast. This was revised up to £1,250m at noon, but down to £1,150m in the afternoon. Total help of £1,058m was given by the Bank of England.

An early round of assistance was offered and at that time the authorities bought £609m bills outright, by way of £105m Treasury bills in band 2 at 14⅞ per cent and £504m bank bills in band 2 at 14⅞ per cent. Before lunch another £279m bills were purchased, via £26m bank bills in band 1 at 14⅞ per cent; £104m Treasury bills in band 2 at 14⅞ per cent; and £149m bank bills in band 2 at 14⅞ per cent.

In the afternoon the Bank of England bought £145m bills, through £64m Treasury bills in band 2 at 14⅞ per cent and £81m bank bills in band 2 at 14⅞ per cent. Late assistance of £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £447m, with Exchequer transactions absorbing £730m, and a rise in the note circulation £50m. These outweighed bank balances above target of £30m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.17) 3 months US dollars: bid 8⅜, offer 8½. 6 months US Dollars: bid 8⅜, offer 8½.

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Jan.17	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.70-7.80	8.00-8.15	7.95-8.10	8.05-8.25	8.30-8.45	8.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	11¾-12	[illegible]	11¾-12	-

LONDON MONEY RATES

Jan 17	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 14⅜ per cent; three months 14⅜ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.5049 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 29 1989. Agreed rates for period January 24 1990 to February 25 1990. Scheme I: 15.98 p.c. Schemes II & III: 16.38 p.c. Reference rate for period Dec 1 1989 to December 29 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 15½ from January 1 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

ABN Bank 15 · Adam & Company 15 · Allied Irish Bank 15 · Allied Irish Bank 15 · Henry Ansbacher 15 · Associates Cap Corp 15 · Authority Bank 15 · B & C Merchant Bank 15 · Bank of Baroda 15 · Banco Bilbao Vizcaya 15 · Bank Hapoalim 15 · Bank Leumi 15 · Bank Credit & Comm 15 · Bank of Cyprus 15 · Bank of Ireland 15 · Bank of India 15 · Bank of Scotland 15 · Banque Belge Ltd 15 · Barclays Bank 15 · Beneficial Trust Plc 15 · Brit Bk of Mid East 15 · Brown Shipley 15 · CL Bank Nederland 15 · Charterhouse Bank 15 · Citibank NA 15 · City Merchants Bank 15 · Clydesdale Bank 15 · Comm. Bk. N. East 15 · Co-operative Bank 15 · Coutts & Co 15 · Cyprus Popular Bk 15 · Dunbar Bank PLC 15 · Duncan Lawrie 15 · Equatorial Bank plc 15 · Exeter Trust Ltd 15 · Financial & Gen. Bank 15 · First National Bank Plc 15 · Robert Fleming & Co 15 · Robert Fraser & Ptnrs 15 · Girobank 15 · Guinness Mahon 15 · HFC Bank plc 15 · Hambros Bank 15 · Heritable & Gen Inv Bnk 15 · Hill Samuel 15 · C. Hoare & Co 15 · Hongkong & Shangh 15 · Leopold Joseph & Sons 15 · Lloyds Bank 15 · Meghraj Bank Ltd 15 · Midland Bank 15 · Mount Banking 15 · Nat Bk of Kuwait 15 · Nat Westminster 15 · Northern Bank Ltd 15 · Norwich Gen. Trust 15 · Nykredit Mortgage Bank 15½ · PRIVATbanken Limited 15 · Provincial Bank Plc 15 · Roxburghe Guarantee 15½ · Royal Bk of Scotland 15 · Royal Trust Bank 15 · Smith & Williamson Secs 15 · Standard Chartered 15 · TSB 15 · United Bk of Kuwait 15 · United Mizrahi Bank 15 · Unity Trust Bank Plc 15 · Westpac Bank Corp 15 · Whiteaway Laidlaw 15 · Yorkshire Bank 15

● Members of British Merchant Banking & Securities Houses Association. ● Deposit rate 5.9%. Sweepster 8.5%. Top Tier-£10,000+ Instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

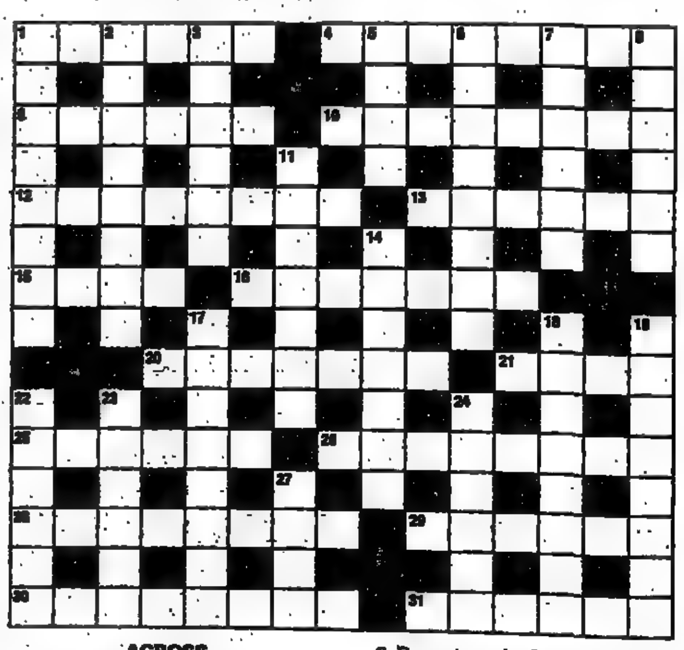
High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
345	295	Ass. Brit. Ind. Ordinary	342xd	0	10.3	3.0	9.2
38	24	Armitage and Rhodes	24	0	-	-	-
210	149	Bardon Group (SE)	181xd	+2	4.3	2.4	17.6
125	102	Bardon Group Cv Pref (SE)	111	0	6.7	6.0	-
123	74	Bray Technologies	77	0	5.9	7.7	6.8
110	95	Bramhill Conv. Pref	96	0	11.0	11.5	-
104	96	Bramhill 8¼% New C.C.R.P	96	0	11.0	11.5	-
310	285	CCL Group Ordinary	309xd	0	14.7	4.8	3.8
176	167	CCL Group 11% Conv.Pref	167	0	14.7	8.8	-
225	140	Carbo Plc (SE)	210	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	1.5	Magnet Go Non-Voting A Cwr	1.5xd	-	-	-	-
5	0.75	Magnet Go Non-Voting B Cwr	0.75xd	-	-	-	-
130	118	Isis Group	120	0	8.0	6.7	6.9
145	58	Jackson Group (SE)	109	+1	3.6	3.3	12.7
322	261	Multihouse NV (AmstSE)	270	0	-	-	-
130	84	Robert Jenkins	130	0	10.0	7.0	5.2
467	365	Scruttons	370	0	18.7	5.1	9.8
300	270	Torday & Carlisle	297	0	9.3	3.1	10.3
117	100	Torday & Carlisle Cnv Pref	104	0	10.7	10.3	-
122	75	Trevian Holdings (USM) SE	80xd	0	2.7	3.4	8.6
160	106	Unistrut Europe Conv Pref	160	0	11.0	6.9	-
395	300	Veterinary Drug Co. PLC	350	0	22.0	6.3	8.6
370	301	W.S Yeates	300	-1	16.2	5.4	25.0

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The ISE. Other securities listed above are dealt in subject to the rules of TSA. These securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities. * These securities are dealt on a restricted basis. Further details available.

JOTTER PAD

CROSSWORD

No.7,141 Set by GRIFFIN



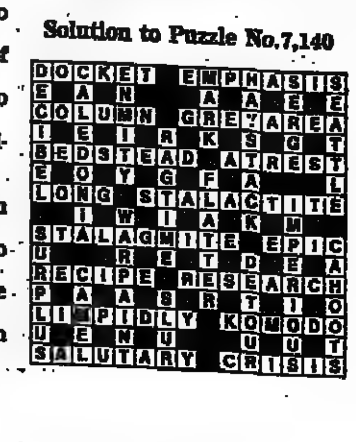
ACROSS

1 Man going to court (6)
4 Persistent and frequent in middle age (8)
9 Beastly children refuse (6)
10 Object when string inside gets twisted (8)
12 Pity your local MP, say, broadcast first (8)
13 Home office rejected permits for lodgings (6)
15 Swindles companion out of food (4)
16 Feeble transmitter needs end of aerial inserted (7)
20 Rover's plot to ring union leader at home (7)
21 Where Irish doctor always injected (4)
25 Refrain from cold duff hours after (6)
26 Theatre worker swallows model fish (8)
28 Voluntary work at lino works (8)
29 Airman spilt basin full of water (6)
30 Frightened of cutting into toboggan (8)
31 Lifted the way Noel developed (6)

DOWN

1 Nurse accepts drinks with male shop assistants (8)
2 Suggest penny off hint to one associate (8)
3 Shows through when love comes first (6)
5 Name expert covering skin trouble (4)
6 Recent arrival in one crew replaced first mate (8)
7 Native student leaves pub late (6)
8 Gallivant with surreptitious sucker (6)
11 Everything in display lacking subtlety (7)
14 Article 10 gets amended yet I worry (7)
17 Lover in favour of time by the sea (8)
18 Stuff for friend with foreign money (8)
19 Slide in a terribly huge mass (8)
22 Set of clues by Bill Ross (6)
23 Stages or stands used by dancing star (6)
24 Guarantee to drop centre-forward that's notorious (6)
27 Many a church club (4)

Solution to Puzzle No.7,140



WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
2pm prices January 17

[illegible]

INDICES

NEW YORK

DOW JONES	Jan 16	Jan 15	Jan 12	Jan 11	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2692.62	2669.37	2689.21	2760.67	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.49	92.63	92.74	92.84	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1156.47	1135.14	1140.65	1165.72	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.52	220.13	220.70	225.67	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2698.38 (2692.41) Low 2634.17 (2666.17)

STANDARD AND POOR'S

	Jan 16	Jan 15	Jan 12	Jan 11	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	340.75	337.00	339.93	348.53	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	391.83	387.45	390.72	400.57	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.88	29.60	30.04	30.75	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	188.37	[illegible]	188.32	192.78	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	368.41	368.98	372.23	379.35	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	440.16	436.64	439.72	[illegible]	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 12	Jan 5	Dec 29	year ago (approx.)
Dow Industrial Div. Yield	3.96	3.84	3.87	3.60

	Jan 10	Jan 3	Dec 27	year ago (approx.)
S & P Industrial div. yield	2.94	2.86	2.95	3.21
S & P Indl. P/E ratio	14.80	15.19	14.74	13.23

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	3,954,900	39½	+ 1¼
Chicorp	3,276,600	26	− ½
Aristech Chem	3,131,100	24½	+ 5½
Gerer Gp	2,613,300	62¾	− ¼
Am T & T	2,353,800	43¼	+ ½
Waste Man	2,144,600	33	+ 1
IBM	2,054,900	100½	+ 2¼
Gen Electric	1,896,100	63¾	+ ¾
Merck	1,853,500	73¼	− ¼
Union Carbide	1,442,300	22¾	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Jan 16	Jan 15	Jan 12
New York	186.070	140.590	183.880
Amex	14.036	11.035	17.278
NASDAQ	147.594	108.055	143.504
Issues Traded	1,965	1,945	1,989
Rises	793	396	203
Falls	709	1,086	1,486
Unchanged	463	463	300
New Highs	7	9	20
New Lows	90	71	60

CANADA TORONTO

	Jan 16	Jan 15	Jan 12	Jan 11	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3230.74	3242.05	3261.01	3340.48	3919.2 (1/9/89)	3207.5 (3/1/89)
Composite	3999.98	3994.02	3981.84	3941.70	4037.8 (6/10/89)	3350.5 (4/1/89)
MONTREAL Portfolio	1974.08	1963.22	1961.92	1994.01	2049 (6/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrials, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 17	Jan 16	Jan 15	Jan 12	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1682.8	1675.4	1681.7	1715.7	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	857.0	852.6	852.6	869.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	560.35	561.02	563.92	581.75	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6490.45	6489.81	6529.3	6599.43	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	374.09	369.19	368.06	369.28	374.09 (17/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	625.5	627.3	631.1	626.1	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	533.5	534.9	536.2	546.7	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1953.14	1935.21	1962.89	1960.65	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	757.82	755.56	769.50	[illegible]	776.71 (12/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2232.3	2227.5	2269.0	2286.2	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1802.48	1788.68	1841.61	1855.66	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2754.84	2751.79	2786.69	2835.96	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1859.02	1839.22	1849.85	1859.05	1866.95 (11/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	695.88	695.66	702.03	706.92	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	36821.14	36850.36	(c)	37516.77	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2719.48	2723.88	(c)	2786.47	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4081.93	4000.92	(c)	4078.60	4081.93 (17/1/90)	2774.58 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	574.32	567.34	569.46	587.93	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tu.Rtn.Gen.(End 1983)	252.3	250.6	[illegible]	256.0	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.5	192.2	195.6	196.4	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	735.65	726.80	738.01	734.85	751.87 (11/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1057.76	1056.12	1076.51	1099.50	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	422.57	418.24	421.56	430.88	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2184.06	2230.0	2224.0	2206.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2996.04	3017.0	3023.0	3006.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	874.41	883.43	889.04	903.11	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	288.03	287.29	290.96	295.27	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4494.3	4416.6	4486.3	4558.1	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	763.3	776.0	783.6	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	10835.67	10904.90	10867.64	10589.56	10904.90 (16/1/90)	4873.01 (3/1/89)
THAILAND						
Bangkok SET (30/4/75)	864.96	877.68	894.20	897.31	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	544.9	551.0	554.3	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 13: Taiwan Weighted Price: 10559.20 Korea Comp Ex. 893.47

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday January 17 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	17.9m	710	-34
Tokyo Electron	15.6m	3,850	+440
Mitsui & Co	7.9m	1,200	-30
Nippon Mining	7.6m	1,000	0
Sumitomo Mt M	7.4m	785	-9
MHI	7.2m	1,080	0
Toshiba	6.5m	1,160	0
Toa Steel	6.3m	1,650	-130
Kawasaki Steel	6.2m	765	-5
Dowa Mining	5.9m	1,600	+30

3pm prices January 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	24¼	AAR	.48	1.5	19	3578	31¾	30	31⅛	−⅜
9⅝	8½	ACM n	1.01	11		328	9½	9⅜	9½	
11⅝	10½	ACMIn	1.26	11.		477	11⅜	11¼	11¼	
9⅞	8	ACM M n	1.01	11.		308	9⅛	9	9⅛	
11½	10	ACM Sc	1.26	11.		1095	11⅜	11¼	11¼	−⅛
9⅜	8⅞	ACMSp	1.01	11		531	9⅜	9¼	9¼	
19⅜	11½	AL Lab	.16	.9	18	63	18	17½	17⅞	+⅛
4⅛	3⅛	AMCA	.12e	3.3	9	43	3⅝	3⅝	3⅝	
6⅛	3⅞	AM Intl			9	585	4	3⅞	4	+⅛
23½	16⅝	AM In pf	2	11.		27	18⅞	18½	18⅞	+⅛
107¼	52⅝	AMR			7	4977	58⅜	56¼	57½	+½
27	25	ANR pf	2.67	10		9	26	25⅞	26	
6	3⅛	ARX				150	3½	3⅜	3⅜	−⅛
63	38¼	ASA	3a	4.8		1055	62⅛	60¼	62	+¾
35⅞	16¼	AVX	.24	.7	34	5712	35	34⅜	34⅞	+2
70⅞	48¼	AbtLab	1.40	2.1	17	2482	67¼	66	66⅞	−½
18¾	11¼	Abitibi g	.50			69	11¾	11½	11¾	+⅛
13	9¼	AcmeC	.40	3.7	14	79	10¾	10⅝	10¾	
9¾	8	AcmeE	.32	3.6	12	157	9	9	9	
38½	22	Acusn			21	660	31½	30½	31¼	+¾
16½	12⅞	AdaEx	2.09e	13		72	15⅜	15½	15⅝	
15⅜	6¼	Adobe				79	12⅝	12⅝	12⅝	+⅛
10½	7⅛	AMD				4301	7⅝	7½	7½	−⅛
35	28½	AMD pf	3	10.		218	29⅝	29⅜	29⅝	+⅛
10⅛	6⅝	Advest	.16	2.3	10	20	7	6⅞	7	+⅛
62½	47⅝	AetnLf	2.76	5.2	9	1039	54⅜	53⅜	53⅜	−¾
14	10½	AflPb	.24	2.2		2154	10⅝	10½	10¾	
25	16⅛	Ahmans	.88	5.1	9	2962	17¼	17¼	17⅜	−⅛
3⅞	2⅛	Aileen				10	2½	2½	2½	+⅛
50¼	40	AirPrd	1.32	2.8	12	930	48⅜	47¼	48	−½
39⅝	21½	AirbFrt	.60	1.7	18	685	35⅝	35⅝	35⅝	−¼
25½	16	Airgas			10	179	18	17⅝	18	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices January 17

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 17

AMERICA

Volatile Dow declines in response to trade figures

Wall Street

AFTER an early decline on an unexpected widening in the November trade deficit, and initial disappointment in earnings from IBM, the equity market recovered only to slip again, *writes Janet Bush in New York.*

The Dow Jones Industrial Average fell 10.67 in morning trading but then recovered, partly because IBM executives gave an upbeat interpretation of its results in a telephone conference with analysts.

IBM recovered from a $1½ loss, but started slipping again to stand $⅝ lower at midsession at $99¾. Its fourth quarter net income fell to $1.04 per share, compared with $3.97 a share a year earlier. Even taking into account a $2.42bn restructuring charge, this was lower than expected.

With the broad market apparently tracking IBM, the Dow started slipping again at midsession, standing 11.31 lower at 2,681.31 at 2 pm on moderate volume of 109m shares. The Dow had risen 23.25 on Tuesday.

The recovery from early lows was also partly attributed to a deeper interpretation of the trade release. On the surface, the widening in the deficit in November to $10.5bn from an upward revised shortfall in October of $10.25bn looked disappointing. Analysts *had forecast a deficit in* November of nearer to $9bn.

However, closer inspection of the release suggested that the increase in the deficit between October and November was partly because of the effects of the Boeing strike. Mr Robert Mosbacher, Commerce Secretary, said that the strike had had an impact on exports of US capital goods, which fell by $1bn between October and November, largely because of the disruption to exports of aircraft.

The morning rebound gained from a strong showing in the futures market, where Standard & Poor's 500 contracts rose after recent weakness on institutional buying.

Some stock analysts also said that the US market was helped a little by the fact that the Tokyo stock market stabilised overnight after its precipitous falls in recent sessions. Others saw the failure of the Tokyo stock market to register a larger correction as a potential drag on US equities.

In the technology sector, Digital Equipment was up $⅝ at $89½, Compaq Computer added $½ to $84¼ and Motorola gained $¾ to $61⅝.

Casino and hotel stocks did well as shareholders of Holiday Corp cleared its merger with a subsidiary of Bass. Holiday's shares rose $1⅛ to $66⅛. Golden Nugget added $1¼ to $26¼ and Caesars World gained $¾ to $28.

A number of leading companies reported fourth quarter earnings. AMR, the holding company for American Airlines, reported fourth quarter net income of 57 a share compared with $1.93 a share a year earlier but still added $¾ to $57⅞. Westinghouse Electric dipped $⅝ to $72⅝ in spite of reporting record revenues and earnings in the fourth quarter and in 1989.

Alcoa slumped $4 to $68⅞ in spite of record earnings in 1989 because its fourth quarter results were down from the third quarter, due partly to a *decline in shipments* and higher raw material costs. Caterpillar slumped $1⅝ to $55⅝ on anticipation of its fourth quarter earnings, expected today.

Canada

A SLIGHT decline by midsession in Toronto came in light trading. The composite index slipped 4.80 to 3,896.77 on volume of 15.7m shares. Declines led advances by 248 to 202.

US trade figures weakened the market in early trade, but it later showed some recovery.

Laidlaw fell C$⅞ to C$25⅞ after its chairman said that newly acquired Tricil would not meet expectations. Wine maker Bright rose C$1⅞ to C$19¾ on talk of a bid.

EUROPE

Bourses beat their own path with limited gains

EUROPE again showed a relative immunity to Tokyo and New York, giving a less than heartfelt response to the recoveries there. Scandinavia was a buoyant exception, *writes Our Markets Staff.*

PARIS bounced back from three falls, but volume remained modest and the rally looked as if it might be more technical than fundamental.

The CAC 40 index closed 17.93 higher at 1,953.14, near the day's best level. Turnover was estimated to be no higher than Tuesday's FFr2.9bn.

Chargeurs, the conglomerate, rose FFr10 to FFr1,355 in active volume of 148,000 shares. It returned to trading after its sale of a majority of the UTA airline to Air France.

The realisation of part of its asset value attracted interest, said one analyst, who thought the sale made it more vulnerable to a potential takeover – strategic interests could have prevented this while Chargeurs had control of UTA. There were also sellers yesterday, however, and the share ended near its day's low.

Club Med was up FFr14 at FFr788 after a 21 per cent rise in 1989 net profits. It also emerged that Accor, the hotels group, had built up a 2 per cent stake since October.

About 4 per cent of Club Med's capital has changed hands in the past three days, said the analyst, and it was possible other friendly parties had been stake-building.

FRANKFURT opened without the sellers to extend a two-day decline, and closed without the buyers to build on an intraday rally. The FAZ index rose 2.06 to 757.82 in midsession but the DAX, which was up 31.15 at 1,819.83 a little later, lost ground thereafter on profit-taking; it closed 13.80 higher at 1,802.48 following Tuesday's drop of 52.93.

Volume eased again, from DM9.3bn to DM8.4bn, still strong in anything but the most recent terms. The energy and chemical group, Veba, was the most active stock as it jumped DM14 to DM427.50; some reports suggested that investors were looking for domestic, rather than export-oriented stocks; and there was a rumour, later denied, of a new product which would raise the company's profile.

Losers included carmakers, particularly Daimler with a DM10 fall to DM839. London brokers BZW looked askance at the high level of the shares in a review published last week.

MILAN ended virtually unchanged after a session characterised by sharp changes in sentiment, and within which a late recovery in the banking sector compensated for early losses in industrials. The Comit index closed 0.22 higher at 695.58 in declining volume.

Mediobanca, the Milan merchant bank, put on L200 to L19,520 while RNA, similarly, recovered the better part of Tuesday's decline to close L140 higher at L10,090.

Mr Carlo de Benedetti's holding company, Cir, then took the limelight, rising L149 to L4,990 in late trading on reports (which it denied) that Mr De Benedetti may sell his holdings in the Mondadori publishing group.

ZURICH finished marginally higher in an atmosphere which moved from liveliness to caution over the day, the Crédit Suisse index rising 2.9 to 614.5. Nestlé led foods higher, its bearers climbing SFr85 to SFr9,070, while Jacobs Suchard gained SFr30 to SFr6,780.

AMSTERDAM gained ground in line with international markets, but trading was subdued at Fl 692m, down from over Fl 1bn on Tuesday. The CBS tendency index rose 1.0 to 114.4.

MADRID finally broke its falling streak, boosted by the recovery on Wall Street. The general index rebounded 0.74 to 288.03, but the underlying tone remained hesitant.

STOCKHOLM was also encouraged by Wall Street, and shares recovered strongly after declines earlier in the week. But turnover was modest at SKr359m. The Affärsvärlden General index picked up 18.7, or 1.5 per cent, to 1,296.7.

Saab free B shares rose SKr7 to SKr270 after news that Investor and Providentia, the investment firms, had raised their stake. MoDo, the paper and pulp group, continued to fall, losing SKr10 to SKr310 amid fears of lower pulp prices.

OSLO rose in busy trading, apparently unworried by lower North Sea oil prices. The all-share index reached 565 before news of the US trade deficit, which trimmed gains. The index closed 6.30, or 1.1 per cent, higher at 560.66, in turnover of NKr501m.

COPENHAGEN rose to a record, as demand for banking shares remained high. The bourse index gained 4.90, or 1.3 per cent, to 374.09.

BRUSSELS had a stable session, the cash market index edging up 0.64 to 6,490.45. Turnover was a moderate BFr800m, down from BFr1bn on Tuesday.

Utilities were firmer on reports that electricity companies Intercom, Unerg and Ebes would merge.

Correction

In yesterday's Europe report, BHF-Bank was described as one of two West German banks which could be left holding a major equity stake in Co op, the West German retailer. This was based on incorrect information supplied by a news agency. It should have been BfG, Bank für Gemeinwirtschaft.

Singapore's Clob wins rapid acceptance

Joyce Quek explains why the Malaysian market also seems to have benefited

CLOB International, the over-the-counter market started by the Stock Exchange of Singapore (SES) on January 2 to trade regional, and predominantly Malaysian, shares, has taken off faster than many expected.

There is irony and surprise in this, for both Kuala Lumpur and Singapore seem to have benefited. So far this year, both exchanges have notched up all-time index highs although, in line with other world markets, there has been a recent setback. There has also been record volume in both this year, even if an element of double counting is discounted.

In the first week of 1990, the SES registered volume of 708m shares compared with a weekly average of 418m for the first half of 1989. The Kuala Lumpur Stock Exchange (KLSE) saw 612m shares in the same week, against an average of 445m for the last two weeks of 1989.

Clob was brought into being by the Malaysian Government's decision to delist its public companies from the SES by the end of 1989. Listings of each country's shares on the other's exchange had resulted in what was perceived, by the Malaysians, as an unequal distribution of stock exchange business.

Malaysian stocks accounted for 45 per cent of the SES's market capitalisation, against the Singapore shares' 3 per cent contribution to Kuala Lumpur. But Singaporeans say that there is a practical reason for this.

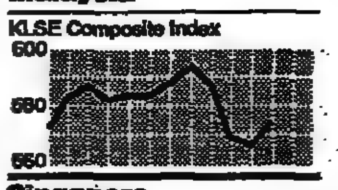
They say that Malaysian brokerages need to beef up their financial, research, marketing, security and, more importantly, operational muscle.

Singapore-based fund managers and individual investors in the mercurial Malaysian market, all speculatively inclined, are more concerned with efficient execution of trades and settlement and security of the transactions than with brokers' domicile, or the 2 or 3 per cent they could shave off prices by trading in Malaysia.

They were worried, therefore, about the threatened end of Singapore trading in highly-popular Malaysian stocks; they did not expect to be able to trade at speed in Kuala Lumpur, saying that systems there were prone to break down, and that the environment was more restrictive.

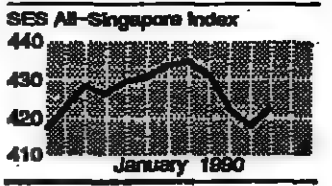
Malaysia

KLSE Composite Index



Singapore

SES All-Singapore Index



However, Clob arrived, quoting 133 of the hotly-traded Malaysian stocks and six Hong Kong market leaders under its fully-computerised trading system and rules. In effect, it was business as usual, and Clob outperformed KLSE volume by 708m shares to 612m in the first week of head-on competition at the start of this month.

Matters did not stop there. Malaysian brokerages urged more action from their exchange; the KLSE's immediate reaction was to deny recognition to Clob. Further threats that shares not bought through local brokers would be disqualified from dividend payments did scare some customers north of the border.

However, the Singaporean financial community, heartened by the boost to business on both sides of the Causeway, is beginning to argue its own case.

Mr Tang Wee Loke, a director of Kay Hian James Capel, and an SES committee member, emphasises that there is a big pool of Malaysian shares in Singapore, held by nationals, and by individual and corporate foreign residents.

There is also the argument that Kuala Lumpur benefits from the activity in the republic. According to a broker in one of the republic's largest firms: "The Malaysians may begin to realise that the activity in Singapore is, to some extent, competition, but it has also enhanced their market."

Singapore says its stockbrokers are better capitalised and controlled. Government action forced them to raise their standards of research and marketing and this is paying off handsomely when dealing with substantial investors. They argue that when the Malaysian brokers, which are generally much smaller capitalised, reach their margin limits, they are constrained from doing big deals.

Going down-market, many shares listed in Malaysia are punted by Singapore players. Indeed, the most active shares listed in Singapore are the lower-priced Malaysian "penny" stocks such Kemayan, Kamunting and Idris, the favourites of the individual players. Should further KLSE action deprive them of trading opportunities, they would simply shift their focus elsewhere.

Singaporeans also point out that there is already active OTC trading in Malaysian shares in Hong Kong and London. Trading in regional stocks had been mooted by the SES for some considerable time, and Clob is set to serve as a truly regional exchange as it prepares to introduce shares from Thailand, Indonesia and Australia.

ASIA PACIFIC

Nervousness wipes out Nikkei's early rise

Tokyo

NERVOUSNESS about the outlook for bonds, and late arbitrage selling wiped out a strong early recovery in equities, and share prices ended lower for the third consecutive session, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average began well, breaching the 37,000 level to reach a high of 37,285.45. But it failed to sustain that momentum. Bouts of index-linked arbitrage robbed it of a gain of more than 400, leaving it to close at its day's low of 36,821.14, down 29.32.

In that context, it was comforting that advances outnumbered declines by 558 to 384 declines, with 206 unchanged. Turnover stayed thin at 565m shares, if somewhat better than the 438m traded on Tuesday. The broad-based Topix index lost 4.40 to 2,719.48 but, in London, the ISE/Nikkei 50 index rose 4.43 to 2,031.96.

Investors drew early encouragement from a measure of stability in the currency and bond markets, while a better day for Wall Street, index-linked buying and substantial dealer activity also supported share prices.

But a dip in bond futures prices and signs of mounting unrest in the Soviet Union emerged in the afternoon. Investors turned jittery, while futures-related arbitrage trading contributed to a loss of about 300 points in the last hour of trading.

An estimated Y450bn to Y500bn worth of shares had been accumulated through arbitrage buying at the end of last year and this block of equity is expected to come into the supply side of the market soon, analysts said.

Meanwhile, it is lack of business which characterises the market. "While yesterday's fall came amid a lack of buying, today's earlier rise occurred where there was little selling," said Mr Shigeru Akiba at UBS Phillips & Drew.

Dealers were particularly active early in the day. Later, some analysts thought that arbitrage buying delayed a correction that should have taken place earlier – so that when it did come, the correction was much sharper than it would otherwise have been.

The market's immediate future had been reflected in the popularity of smaller capital issues, said Mr Akiba. The second section index and the over-the-counter market rose strongly. Highly priced issues which do not figure in the Nikkei index were also pursued, since those which do are directly influenced by programme trading.

Most of the big steels were out of favour. Nippon Steel lost Y34 to Y716. It topped the volumes list with 17.8m shares. In Nippon Steel's case, the price for its forthcoming public issue was to be determined at about 3 per cent lower than yesterday's closing price, so investors who had placed orders for the public issue had been selling Nippon Steel shares in order to lower the price.

Among highly-priced issues, Tokyo Electron, an importer of electronic goods, was second in volume with 10.6m shares and surged Y440 to Y3,880. TDK, the maker of magnetic tapes, gained Y220 to Y6,080 and Pioneer added Y240 to Y6,200.

In Osaka, strength in high-technology issues took the OSE average above 36,000 to close at 36,155.48, up 182.19. Volume was sluggish at 45.4m shares, although this was a considerable improvement over the 27.1m traded on Tuesday.

Roundup

THERE was a mixed response to the New York and Tokyo rallies among the Pacific Rim markets.

SINGAPORE resumed its strong climb in active trading. The Straits Times Industrial index rose 20.54, or 1.4 per cent, to 1,533.04. There were bullish reports that Kim Eng Holdings, the first public listing of the year, might be subscribed more than 600 times.

Turnover rose to 165m shares worth S$273m, from Tuesday's 138m and S$232m.

AUSTRALIA also recovered its nerve, having seen Wall Street and Tokyo do likewise, and the All Ordinaries index gained 7.4 to 1,682.8. Turnover was 112m shares worth A$275, up from 83m worth A$187m, swelled by some European sell orders on resources stocks.

That helped push Western Mining down 8 cents to A$6.50 on turnover of 3.6m shares, while MIM Holdings ended unchanged at A$2.35 on 4m shares; it reported a 66 per cent jump in first half net profits.

Gold shares, on the other hand, attracted such demand from Asia that the gold sub-index climbed 1.5 per cent to an 18-month peak.

In industrials, Elders IXL rose 3 cents to A$2.33 as 5.8m shares changed hands as investors welcomed the news that it was set to take full control of its UK pubs joint venture.

HONG KONG failed to regain confidence and ended little changed after a volatile day. Turnover was still slow at HK$679m, though up from Tuesday's HK$535m. The Hang Seng Index rose 3.05 to 2,754.84.

Persistent talk that Cathay Pacific Airways might be buying a stake in Hong Kong's Dragon Airline left Cathay 25 cents higher at HK$8.30. After the close of trading, Cathay announced it was taking a 30 per cent holding for HK$394m.

BOMBAY fell for a third day running on fears of a rise in taxation in the March budget. The Bombay stock index fell 10.38 to 745.19.

SEOUL turned weaker again amid concern over the country's economic performance, particularly on the export side. The composite index fell 9.02 to 874.41 in thin trading, giving a drop of nearly 5 per cent over the past seven sessions.

SOUTH AFRICA

CAUTIOUS trading in Johannesburg left stocks lower, following news of the wider US trade deficit and fears of declines on overseas markets.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 16 1990						MONDAY JANUARY 15 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	153.89	−0.9	137.77	129.73	−0.4	5.26	155.25	138.41	130.21	160.41	128.28	146.16
Austria (19)	208.15	−1.8	186.35	183.95	−1.2	1.32	211.95	188.96	188.13	219.85	92.84	93.09
Belgium (61)	155.77	−1.1	139.46	136.37	−0.8	4.10	157.53	140.44	137.52	160.02	125.58	133.22
Canada (120)	149.02	+0.0	133.42	125.66	+0.2	3.18	148.96	132.80	125.40	154.17	124.67	130.24
Denmark (36)	248 09	+0 2	222.11	221.09	+0.3	1.43	247.66	220.79	220.54	250.34	165.35	156.86
Finland (26)	139.65	−0.9	125.02	117.38	−0.3	2.66	140.85	125.57	117.74	159.16	118.63	126.63
France (125)	151.79	−1.4	135.89	137.20	−1.3	2.75	153.90	137.20	138.99	157.97	112.57	115.27
West Germany (96)	126.00	−1.5	112.81	111.00	−1.6	1.89	127.96	114.08	112.82	130.32	79.56	84.48
Hong Kong (48)	113.13	−1.1	101.28	113.42	−1.1	5.03	114.44	102.03	114.73	140.33	86.41	119.87
Ireland (17)	191.49	−0.9	171.43	173.01	−0.7	2.51	193.24	172.27	174.32	198.69	125.00	128.98
Italy (96)	99.73	−1.0	89.28	94.03	−0.8	2.43	100.70	89.78	94.80	102.11	74.97	85.40
Japan (455)	183.33	−2.3	164.13	168.55	−2.3	0.48	187.59	167.23	172.53	200.11	164.22	194.94
Malaysia (36)	227.19	−0.8	203.40	236.64	−0.6	2.26	229.13	204.27	238.08	238.21	143.35	150.77
Mexico (13)	326.90	+0.1	292.67	963.23	+0.1	0.54	326.43	291.01	961.84	337.02	153.32	163.86
Netherland (43)	136.23	−1.7	121.96	118.79	−1.5	4.54	138.53	123.50	120.60	145.66	110.63	112.00
New Zealand (18)	73.45	−0.4	65 76	63.98	−0.4	5.51	73.74	65.74	64.24	88.18	62.64	69.76
Norway (24)	210.98	−1.8	188 89	187.00	−1.5	1.46	214.83	191.52	189.90	219.26	139.92	154.20
Singapore (26)	183.27	−1.1	164.08	159.84	−0.9	1.82	185.27	165.17	161.23	189.94	124.57	134.66
South Africa (60)	229.41	+0.7	205.38	167.70	+0.4	3.38	227.80	203.08	167.09	229.41	115.35	119.24
Spain (43)	155.30	−2.1	139.04	129.12	−2.1	4.10	158.70	141.48	131.95	169.75	143.14	149.00
Sweden (35)	198.50	−1.8	177.71	180.72	−1.5	1.90	202.05	180.13	183.50	206.95	138.45	145.01
Switzerland (62)	95.12	−1.9	85.16	89.40	−1.6	2.00	96.92	86.41	90.85	99.12	67.81	76.98
United Kingdom (306)	158.69	−1.1	142.07	142.07	−0.7	4.44	160.50	143.09	143.09	164.31	133.28	137.69
USA (542)	137.92	+1.1	123.48	137.92	+1.1	3.40	136.41	121.61	136.41	146.29	112.13	115.44
Europe (989)	142.11	−1.3	127.23	126.54	−1.1	3.37	144.02	128.40	127.97	146.66	112.63	114.69
Nordic (121)	193.49	−1.0	173.23	167.16	−0.8	1.71	195.38	174.18	168.45	198.12	137.95	141.51
Pacific Basin (667)	179.65	−2.2	160.84	164.98	−2.2	0.74	183.67	163.75	168.70	194.72	160.44	189.85
Euro – Pacific (1656)	164.84	−1.9	147.58	149.69	−1.8	1.65	168.01	149.79	152.47	174.18	141.56	159.74
North America (662)	138.48	+1.0	123.36	137.16	+1.0	3.38	137.06	122.19	135.73	146.66	112.79	116.24
Europe Ex. UK (683)	130.68	−1.5	117.00	116.95	−1.4	2.66	132.62	118.23	118.58	134.88	98.30	100.20
Pacific Ex. Japan (212)	135.32	−0.9	121.15	120.16	−0.6	4.81	136.60	121.78	120.92	140.05	111.83	128.99
World Ex. US (1849)	165.00	−1.8	147.72	149.33	−1.7	1.73	168.02	149.79	151.96	173.77	141.49	158.22
World Ex. UK (2085)	153.88	−0.9	137.76	145.78	−0.9	2.03	155.25	138.41	147.07	162.00	136.98	142.27
World Ex. So. Af. (2331)	153.83	−0.9	137.72	145.24	−0.9	2.24	155.26	138 42	146.52	161.84	136.67	141.99
World Ex. Japan (1936)	140.85	+0.0	126.10	133.57	+0.1	3.44	140.81	125.53	133.40	145.52	114.51	116.28
The World Index (2391)	154.29	−0.9	138.13	145.39	−0.9	2.25	155.70	138.81	146.66	162.05	136.68	141.85

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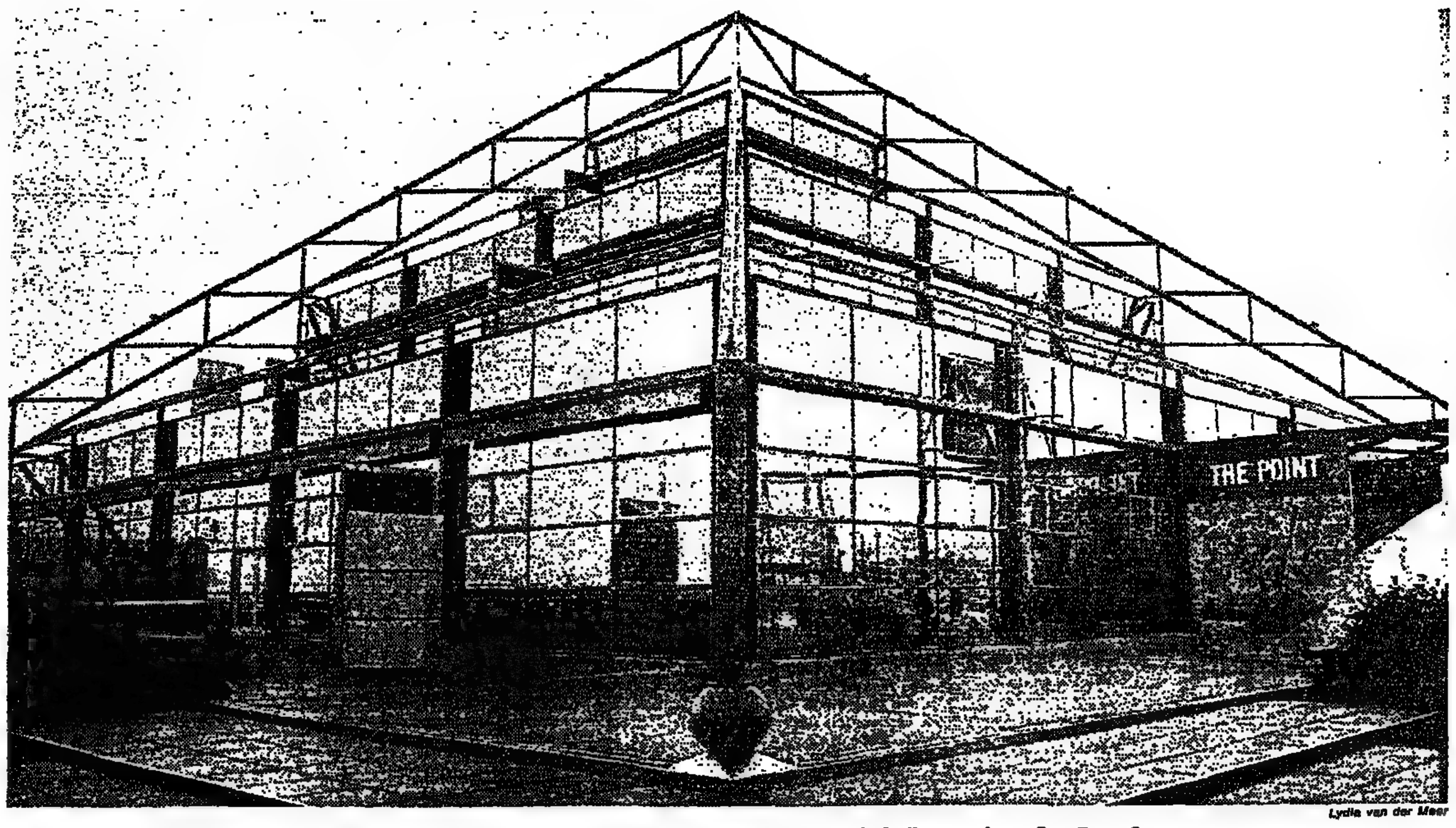
SECTION III

FINANCIAL TIMES SURVEY

People who have not seen Milton Keynes think of it as a printed circuit-board of a city. In fact, it is well planned and has a contented population. Stewart Dalby visits this creation of 20th Century England, and asks whether enough has been done to safeguard its future.



New town symmetry: The Point, a multi-screen complex, is one of the few centres for social life in the evenings. See Page 6

Lydia van der Meer

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Editorial production: Roy Terry

MILTON KEYNES

So much more still to be done

IMAGINE you are a London manufacturer of, say, plastic components for audio and video equipment. Your order book is full to overflowing. You employ about 30 people and need another 10 of certain skills to meet the production demand.

Ideally, the business needs larger premises but there is literally no space for expansion and no nearby accommodation for less than £20 a sq ft. It is impossible to find 10 extra skilled workers. They are not available from a youth training scheme, nor from an employment training scheme. Somehow, someone else always seems to be offering better wages.

You then hear about a place midway between London and Birmingham, only 40 minutes by train from the centre of London. Factories or B1 space — accommodation which is classified for either office or light industrial use — is only £11 a sq ft. There is so much land you can get an option on the adjoining site.

Parking is free and a range of quality housing is available at prices cheaper than in London. Almost double the national average of school leavers are due to come on stream during the next decade, and it is claimed there is a pool of mothers wishing to return to work. So, staff should not be a problem even though there is a low unemployment rate.

Schools are good and communications are excellent to airports and ports, particularly to Holland, which is one of your main markets. The city is so well planned there are no traffic jams at any time of day. Pollution is minimal because there are few old-style smokestack industries. The streets are free of litter, and there is hardly any graffiti. The crime rate is low and the landscape is green in the true sense of the word because in the past 20 years some 18m trees have been planted.

However, from your point of view there is one snag — the place is Milton Keynes. Although you have never been there, you know all about it. It is the place with the concrete cows and was laid out like a printed circuit board. The divorce rate is high and entertainment at weekends and in the evenings is limited. It would be difficult to persuade loyal workers, some of whom have been with you for 20 years, to move to Milton Keynes, not to mention the wife. Milton Keynes has become accustomed in its 23 years of life to its bad image among people who do not know the city. However, its image has not been an obstacle in attracting companies in the past but the problem could intensify as the Milton Keynes Development Corporation prepares to wind up in 1992. There are question marks over whether the Corporation will be able to meet its targets in the time available. Unless the infrastructure, particularly the social infrastructure, is completed by 1992 there is a danger Milton Keynes will lose some of its dynamism.

In other words, although there is little doubt the town has achieved critical mass as a business centre and in terms of being a self-sustaining employer, will the perception of it work against it going on to become a fully fledged three dimensional city where people are not just happy to work but also content to live there and to play there?

The poor image Milton Keynes has in Britain, is partly understandable but nevertheless totally unfair. To the first-time visitor, the city can be disconcerting. There are few buildings above four stories, and no overhead cables. Many of the buildings are hidden among the trees that have been planted. It does not even look like a city. Milton Keynes is in the middle of the south Midlands plain, and the approach is reminiscent of arriving in Holland or in the US mid-west.

The grid road system can be disorienting. There are few traffic lights, but many roundabouts. The roads are marked V or H for vertical or horizontal and each has a number. The local joke has it that H stands for hard and V for very hard. Strangers need time to familiarise themselves with the system.

A completely new town on a green field site is unusual, if not unique, in Britain. In the US or Canada or Australia there would be no image problem. Foreign visitors, including those from Germany and Japan, are usually instantly rapturous about Milton Keynes.

Britons are used to their towns being old with history locked up in the architecture. These old towns have a centre and, most important of all, lots of downtown bustle. The absence of this bustle or Saturday night fever is often rightly or wrongly associated with a lack of "soul" or character.

This perception of Milton Keynes as colourless and futuristic is unfair. Everyone, be it young people in the pubs, office workers in sandwich bars or bistros, people on the factory floor, taxi drivers, workers in factories or managers in boardrooms, seems genuinely happy to be there. There is abundant work and, broadly speaking, a good standard of living for the majority of people.

By any of the usual criteria — net jobs created, household formation, net inward investment, gross population growth — the Milton Keynes Development Corporation has been successful since its establishment in 1967. Then, there were three small towns, and 13 villages or hamlets with a total population of 40,000. The population has grown to 145,000, with a likelihood that by 2000 it will be 200,000. More than 2000 companies have established themselves in Milton Keynes, and unemployment is down to 2.3 per cent.

In trying to attract companies, the Development Corporation has not been able to offer financial incentives in the manner of some development authorities. But it has had money to spend on building the primary infrastructure (the grid road system, sewerage in the early days and electricity). It has been able to build factories and to develop parks and community centres and service land for factories.

Of importance has been its remit to build tens of thousands of houses for rent. In what old-timers now refer to as the pioneering days, private developers did not find it worth their while to build in Milton Keynes. The influx of people was facilitated by a stock of houses at a range of prices available to rent. Newcomers were able to either build their own homes or were easily able to find existing houses. The situation is different now. In line with government policy the Development Corporation is no longer able to build houses for rent and must sell off existing stock if tenants want to buy.

Private developers have arrived in Milton Keynes in force. The Development Corporation does everything it can to keep housing costs low, including doing deals with housing associations, insisting that developers have some element of social housing in any package and leading the field in shared ownership where people can buy part of a property and rent the rest.

In spite of all this, house prices are creeping up to the levels of the south-east. So, too, is the cost of industrial land. Land for B1 sites now sells at £500,000 an acre, comparable to other relocation cities outside London, and the MKDC is nowadays obliged to sell land at market rates.

It may well be true that Milton Keynes is not subject to the so-called demographic time bomb, the way other cities are. It does have a young population and more school-leavers than most. There is also a pool of married women who apparently want to return to work.

However, unlike other cities, Milton Keynes does not have a reservoir of labour created by the decline of older industries. Often companies have to bring their own workers. Labour shortages, particularly among skilled workers, could start occurring.

Rising costs in these three areas, labour, land and housing, could increasingly diminish the attractions of Milton Keynes, although there is still a discount to London and the south-east.

Although no-one can gainsay the benefits of Milton Keynes from a communications point of view, another worry is whether the planned environment which has been a major draw will be maintained once the Development Corporation and its funds have gone.

Will the borough council, the county council or the trusts which inherit the the parks, the trees and the roads have the wherewithal to keep them in pristine condition?

Unless the grid road system is completed by 1992, will the empty acres be turned over to private developers to build houses higgledly-piggedly without proper access? Will the borough council be able to ensure there is a proper range of housing at reasonable prices?

All these considerations have given the Development Corporation a sense of urgency. Mr Bob Hill, the commercial director at the MKDC, feels that while it is important to complete the road network, it is crucial that the development of central Milton Keynes is completed. If there are complaints about the city they turn on the lack of an integrated city centre.

However, conditions have improved enormously in recent years. There is the shopping building which, with free parking and 1m sq ft of floor space, is a great success and is heavily used.

The Point, which is thought to have been the country's first 10-screen multiplex cinema, attracts young people into town in the evenings and at weekends.

The Winter Garden, next to the Business Centre building, has pubs, a disco and a health club. Soon, the Leisure Plaza

Continued on Page 6

KEY FACTS

POPULATION		
At Designation[1]		
Designated Area		40,000
Borough (estimated population)		60,000
At present[2]		
Designated area		145,000
Borough		177,900
EMPLOYMENT		
Jobs at designation		
Designated area		18,350
Borough		21,350
Jobs at present[2]		
Designated area		81,850
Borough		92,400
UNEMPLOYMENT[3]		
Great Britain		5.8%
Travel to work area		2.3%
East Midlands		5.3%
South-east		3.8%
COMMERCIAL FLOORSPACE (sq m in the designated area)		
Existing stock at March 1989		
Industry		1,680,322
Offices		283,545
Shopping (local)		99,736
Shopping (central Milton Keynes)		119,267
Total		2,182,870
HOUSES and FACILITIES (in the designated area)		
Housing		
Existing stock at March 89		
Owner occupied (including shared ownership)		35,804 (66%)
Private and Housing Association 2,434 (4.5%)		
Public rent		16,066 (29.5%)
Total dwellings		54,304
Facilities		
Schools		80
Pupil places		30,647
Health centres		9
City roads		92.2km
FINANCE		
Net capital expenditure in the designated area (£m)	*Expenditure* in 1988/89	*Cumulative* to March 1989
Private	294	1,486
MK Development Corp	(56)	435
Other public	31	392
Total	269	2,313

1 Milton Keynes was designated a New Town in 1967.
2 As at September 30, 1989
3 Including school-leavers
Inquiries: The Press Office, MKDC, telephone (0908) 692692

Source: Milton Keynes Development Corporation

DEVELOPMENT CORPORATION

Countdown to completion

THE Milton Keynes Development Corporation was set up in 1967 *as part of the third* wave of statutory bodies to run new towns. Before the Second World War there were places such as Welwyn Garden City and Letchworth. Then, after the war, came towns such as Crawley in West Sussex. Besides Milton Keynes, the third round included Peterborough, Telford and Redditch. *The idea was* to draw manufacturing industries and people away from the decaying inner cities. As things turned out, it has been predominantly service industries, particularly in the third wave, which have relocated away from the cities, especially London.

The Development Corporation at Milton Keynes will be *one of the last to be wound up* – in 1992 – by which time the task, it is deemed by the Government, will be completed.

Just when a new town is finished or "done" is a matter of opinion and not easily defined.It now seems unlikely that Milton Keynes will reach the target population total of 250,000 before the end of the century. The recent lower level of household formation and other factors have meant that a level of 200,000 is more probable. *The population is now* 145,000 compared with 40,000 when the Corporation was set up. Overall around 70,000 jobs have been created net.

The failure to reach the population target is not worrying *in itself.* The demographic changes taking place in the country and not just in Milton Keynes, have long made it evident *that a lower population* would be likely. If the total should reach 200,000, however, that is probably enough people to give the town critical mass, in the sense that the thousands of companies which have set up there would not start disinvesting because of acute labour shortages.

For reasons apart from population, however, it is clear that senior executives at the Corporation would have liked rather longer to create the town. At *the moment there are still 3,000* acres earmarked for houses and 1,300 acres for industrial use still undeveloped.

More importantly, the grid road system has yet to be completed. The Government recently agreed a special £30m for the system so that it can be finished, but the planners see the roads and the land as all of *a piece. The key to Milton* Keynes's attractiveness as they conceive it is the totally planned environment. This means houses relate to factories, and to shopping and leisure and they are all linked in a master plan.

Failure by the Corporation to get everything in place by 1992 could mean that once the Corporation has gone the remaining developments could take place in an unplanned, unco-ordinated fashion. This *would result in parts of the* town – at the edges and in the city centre where social infrastructure is now being built – being developed in a random fashion. If this were to happen it would almost be a repudiation of what the planners have been trying to do. Some of the town would be one thing, i.e. part of a plan, the other would *be alien to the plan.*

Like other new town corporations, the Milton Keynes Development Corporation has enjoyed considerable power over the years. This has been in three areas. First, the Corporation became the planning authority for the designated area. Second, it had sweeping powers of compulsory purchase or vesting rights as they are now called. Third, substantial Government funds were made available for the creation *of the town*

Where Milton Keynes was different from the other new towns was that it was not built around the nucleus of an old existing town like, say, Peterborough. Milton Keynes was put together from three small regional towns, Bletchley, Wolverton and Stony Stratford and 13 villages. These were spread *over a wide area (22,000 acres)* and none of the towns provided a core for a town centre.

Milton Keynes was therefore, much more than most, a truly new town on a green field site.

Not everyone has been enthusiastic about the way the town has been developed. At the same time as acquiring the land and the primary infrastructure, the Corporation has developed the 13 villages and towns as units in themselves with pubs, shops, community centres, and has also built new *houses.* It has linked up the villages with the elaborate grid road system. In between places it has not only strategically placed factories, but *also* developed parks and done other landscaping. It has, for example, planted 13m trees.

The overall effect, to the minds of some people, is of a town which is too sprawling and which lacks a heart. It is also considered by some to be a city for motorists and one which does not pay enough attention to pedestrians, even though there are a number of walkways running parallel to the grid roads. Even the critics would not deny, however, that the planners have built an entity which is largely free pollution and *congestion.* Moreover, the people of Milton Keynes seem generally pleased to be there.

Stewart Dalby

Here, 1992 has a different meaning, says **Stewart Dalby**

Heading for the big wind-up

THE YEAR 1992 *signifies for* many British businessmen the arrival of the internal market in the European Community.

But for most businessmen in Milton Keynes it has another meaning. It is the date when the Milton Keynes Development Corporation must be wound up and its assets "realised" by the Commission for New Towns (CNT). Given that the Development Corporation has been more powerful and better funded than the local authorities in many areas, this liquidation could be more complex than at first thought.

Although its involvement in *social welfare, hospitals* and schools is not now extensive it has been active in developing other community and social assets, many of which it still owns and maintains. These include parks, community halls, lakes, swimming pools.

The Development Corporation has won renown for the number of trees that have been planted in the designated area. These will have to be maintained as they reach maturity. The social assets will be taken over by various bodies: the county council, the borough council, some parish councils and various trusts and companies.

According to Mr Frank Henshaw, the general manager of the Corporation, MKDC will, as it departs, inject money into the loss-making areas as "balancing items", so that activities *it considers vital,* such as the trees, can be kept going.

Much of the the social infrastructure of the city centre has already been built and is being run by the private sector.

MKDC is very much hoping to fill in what it sees as the outstanding gaps in the central area before it is wound up. It wants to build a theatre and museum, and is looking for private-sector partners to build a new leisure complex.

Ostensibly, the least difficult area for the CNT to involve itself, is the industrial assets. MKDC estimates there could be factories and some fully serviced land worth more than £80m which could be sold off. It has gradually been disentangling itself from building factories as the pace of private development quickened.

On the land designated for industrial use there is probably around 1,000 acres outstanding. MKDC hopes to have it fully serviced, with access, by the time it departs. The CNT will then sell it to private developers at market rates – some £300,000 an acre on the periphery and up to £600,000 in prime areas.

Inevitably, however, there will be a small core of factories which tenants do not want to buy. But most local councils run industrial estates, and it will probably be advantageous if some factories and offices remain available for rent. It will encourage companies who might look elsewhere, to give Milton Keynes a try.

The most contentious area for the *transfer or realisation* of assets is housing, both in terms of the existing stock and of land still available.

In the early days the Development Corporation overshadowed the local borough council in house building. It had to. The houses for workers at all levels, boardroom to shop floor, did not exist. The borough council did not have the remit – or the funds – to build a wide range of housing, and the private sector was not interested in speculative house building because the commercial return was not to be found.

Frank Henshaw

MKDC became the major house builder and during the course of its life has constructed more than 40,000 dwellings at a wide range of prices. Offering homes cheaply for rent and at moderate prices to buy was a key element in attracting companies.

In recent years the private sector has found it profitable to build speculatively in Milton Keynes and they have put up everything from £20,000 starter flats to £400,000 detached homes in several acres.

At the same time, MKDC has been affected by the limits imposed by the government on new public sector house-building and also the right of council tenants to buy their homes. Strictly speaking, MKDC has not been subject to the same curbs of local authorities but it has not been politic for the Corporation to build houses completely on its own and it has not done so for some years.

The 10,000 or so homes still in the Corporation's ownership are all let and the tenants are or will be offered the right to buy.

But not all will wish, or be able, to buy and what happens to the rump has been the source of friction between the MKDC and the local borough council. When the Peterborough Development Corporation was wound up over a year ago, the outstanding tenants were given the choice of being taken *over by the local authorities* or going into housing associations. Overwhelmingly they voted to go with the local council.

The Milton Keynes District Council, which politically is a hung council, would like to take over the housing stock, it seems, and will probably put in a bid to do so. However, *it is* worried about whether it will have the means to maintain and expand the properties, and wants either the MKDC or the CNT to make some provision for the stock.

There are similar worries about the land remaining within the designated area, which has been earmarked for *housing. The Corporation* estimates there is some 3,000 acres outstanding which properly developed could mean a further 20,000 dwellings.

MKDC cannot build houses itself but it is rushing to develop the land in conjunction with private developers before 1992. It has pioneered all kinds of techniques to keep costs low including shared ownership, housing trusts and, in some instances, stipulating that packages must contain a certain percentage of social housing.

It estimates that it is still possible that with these *de facto* subsidies affordability levels start at people with incomes from £7,000 to £11,000 for rental housing, £9,500 to £15,500 for shared ownership housing and £15,000 to £19,000 for low cost sale housing.

In today's soft markets, however, there must be question marks over whether MKDC can *complete* the programme in time. The worry then is what becomes of undeveloped land. MKDC and the CNT are obliged *to sell at market rates.* Prices have now risen to levels of the south-east. The borough council worries that at £500,000 an acre it will not have the wherewithal to develop the land, and will have no option but to let developers build high cost housing.

It may not happen this way, of course. Developers might not find it profitable over the next few years to develop the margins of Milton Keynes. The CNT does not have to liquidate the *assets of MKDC* immediately it takes over. It does have some latitude to manage properties if this is seen as the best way forward.

Generally speaking, however, the Government wants the CNT to realise assets as quickly as possible.

If all goes according to plan then, by 2000 MKDC will have *made a net investment of* minus £220m. Put another way, having spent close on £1bn of public money (MKDC plus other) the Government should see a profit of £220m. At the same time private sector investment should, in theory, stand at £3.68bn. MKDC would then be seen as a success

Stewart Dalby investigates commercial experiences in the town

Companies on the move

FOR THE Terrapin Group it was not so much a question of choosing Milton Keynes, as being chosen by it.

Just after the Second World War when the group was set up, it started out making temporary structures. Wolverton, one of the three regional towns which much later became part of Milton Keynes, was then a railway town. Therefore, it had the kind of labour force a company like Terrapin needed.

At first, this meant carpenters, men who had been building railway sleepers and sheds. As there were huge amounts of scrap metal in the late 1940s and the demand for prefabricated homes grew, it acquired engineers from the existing pool of workers.

By the time the Milton Keynes Development Corporation was set up in 1967 Terrapin was a well established company. It is now involved in a range of temporary and permanent design-and-build structures. These include schools, libraries, factories, offices for health authorities and the like.

The company has many licensing agreements abroad and has a turnover of £25m. It employs several hundred people and owns 25 acres in Milton Keynes. On some of these acres the company has branched out into property development by building a small industrial estate of offices and factories for rent or sale.

The group is happy to be in Milton Keynes. But Mr Athol Lonie, the group marketing director, has one small quibble. He says in the early days of the MKDC the impression was that Milton Keynes would be a centre for manufacturing industry. As things have turned out it is more a service industry centre. This has led, in Mr Lonie's view, to something of a lack of "crossover" in manufacturing, especially when it comes to acquiring skilled engineers and designers. Terrapin has expanded in Derbyshire because of the skill shortages it found in Milton Keynes.

Abbey National, which we must now call a bank, has no such problems in finding staff. Indeed, one of the reasons the company — with 800 employees it is one of the largest in Milton Keynes — moved to the town was the increasing troubles with staff it encountered in central London. By the early 1970s Abbey National had all the classic problems of a service company stuck in the capital. Physical expansion was difficult. The company did not want to abandon its famous headquarters building in London's Baker Street, but it had become too small. Exorbitant office rents was a factor against expanding elsewhere in London. Few of the staff could afford to live in central London and they had difficulty commuting. They often took long lunch hours for shopping. As one Abbey National executive put it, "a lot of the staff were brassed off".

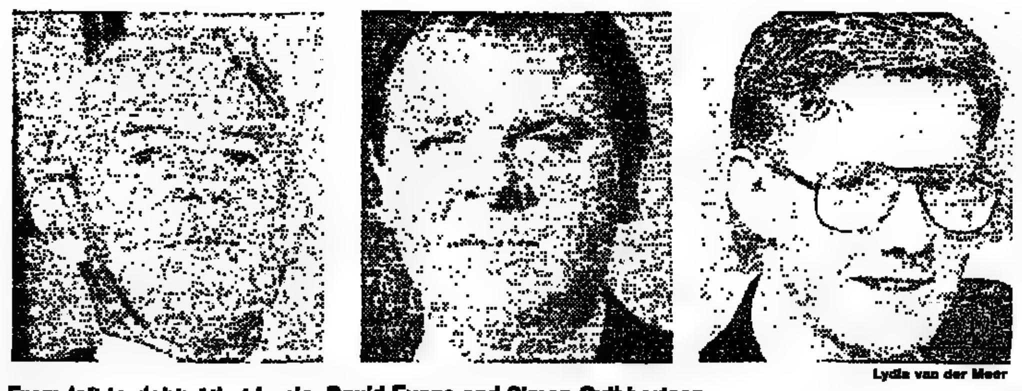
Because there was and is a London weighting of £3,000 on some salaries, many staff continued to struggle in, although turnover was high. With the improvements in communications Abbey National did not have to have all its administrative staff in expensive crowded London. But where to go?

The cynical view is that Milton Keynes was chosen because a former Abbey chairman had close links with the Development Corporation and wanted to throw some business its way. This connection may have tipped the balance in favour of Milton Keynes as against Peterborough, say. Both places offered the key element Abbey National was looking for.

They were both close enough to London to move out the bulk of the administrative staff, while maintaining a headquarters staff in London. Trains from Peterborough and Milton Keynes go into King's Cross or Euston, so it is convenient for London's Baker Street.

However, Milton Keynes offered a prime site, cheap, right opposite the station which British Rail built in conjunction with the Development Corporation. Abbey National made its move slowly over a number of years and managed to take half its staff with it or around 350 out of the 800. Even in the early 1980s properties were still at a considerable discount in Milton Keynes.

Even now the company says it has no problems finding staff, despite the alleged labour shortages. Wage rates are appreciably lower in Milton Keynes than they are in London. Productivity, the company feels, has gone up since the staff can have lunch on the premises and do their shopping in the evenings and there is free parking at the Abbey National building and at the shopping centre. Milton Keynes appears to have worked for the Abbey National.



From left to right: Athol Lonie, David Evans and Simon Cuthbertson

Lydia van der Meer

It also appears to have done well by DRS which stands for Data and Research Services. This small, high-tech company has been in Milton Keynes since 1975.

The company specialises in data capture using optical scanners. It offers three technologies: OMR (optical mark reading), OCR (optical character recognition) and a service using optical technology for information gathering.

The company is increasingly selling its services to schools in the UK and abroad in places such as Nigeria and looks set for a strong expansion.

Mr David Evans, the company secretary, and Mr Roger Singer, the marketing development manager, say they are very satisfied with Milton Keynes. They cite a pleasant site, a stable workforce and excellent transport links to airports and ports as well as to London as the reasons they plan to remain. They are not experiencing any difficulties in finding the skilled labour they need, and point out wages and factory rents are still lower than along the so-called M4 corridor, in places such as Reading, and Swindon.

When the company was looking to relocate in the early 1970s it considered Peterborough and Durham as well as Newport Pagnell and Reading. Four years ago, when the company was ready to expand into a new factory it did not, in the words of Mr Evans, "consciously look elsewhere". The MKDC, he feels, has done an excellent job.

British Standards Institution chose Milton Keynes essentially because it was close to Hemel Hempstead. A quasi-government body, the BSI was set up in 1901 by royal charter. Today it is funded by government money, by subscriptions and by the sale of standards.

When BSI started to outgrow its premises in Hemel Hempstead it looked round for a suitable place to move key workers. Unlike many service companies it did not need a pool of clerical staff, but a site to which key scientists and engineers would agree to go. Milton Keynes fitted the bill almost perfectly insofar as it was close enough to Hemel Hempstead almost to commute. BSI has 684 staff in Milton Keynes concerned with standards and quality assurance, 269 in Hemel Hempstead involved in testing and a further 337 in London.

All these concerns feel Milton Keynes has now reached critical mass in a commercial sense. There is a very lively business scene where companies feed off one another for information and ideas. This is perhaps evidenced in the growth of professional companies which service the businesses. Coopers & Lybrand, the consultants and chartered accountants, now has a considerable presence in the city.

Mr Simon Cuthbertson, who heads the general practice, says there is a large catchment area to be dealt with from Milton Keynes.

"The fact is, you can deal with Luton, Bedford, Northampton and Aylesbury from here. But you couldn't deal with Milton Keynes from Bedford, say," he says.

Although the rate of new company arrivals might now start to slow, there seems little doubt that for those who are already there it has been a good move.

Everywhere in mainland Britain easily accessible

Sold on communications

A FORMER chairman of the Milton Keynes Development Corporation is often quoted as saying that if Milton Keynes could not be promoted as a centre to place a company then the company should not be in the relocation business.

He was referring to Milton Keynes's most obvious selling point — its excellent communications. Milton Keynes is almost exactly midway between London and Birmingham, England's second city. The M1 motorway linking the two centres runs along the periphery of Milton Keynes. There are routes to Heathrow and Gatwick airports along the M25 which can be reached in 45 minutesduring off-peak travel hours. Luton airport is even closer. Once the A1-M1 link is complete the east coast ports of Felixstowe and Ipswich will be easily accessible.

The Development Corporation authorities claim three quarters of the UK's population live within a three-hour drive of Milton Keynes. They also say that everywhere in mainland Britain is accessible within an eight-hour drive in a heavy goods vehicle. As for trains, there are six each hour to London. The quickest takes 45 minutes. Birmingham International airport is also 45 minutes away on the InterCity service.

In terms of communications, Milton Keynes can justifiably claim to be one of the premier relocation spots in the UK. Good communications are cited as the chief reason why companies choose a particular town over another. But they are not the only consideration.

Of almost equal importance, are two other factors: the cheapness of land for factories and houses and the availability of cheapish labour. When it comes to costing an operation both these elements are priced locally rather than nationally.

Land can be made artificially cheap if there is a development agency, such as the Scottish Development Agency or the Welsh Development Agency, to give grants and other help. The Milton Keynes Development Corporation has not been allowed to offer financial incentives because the town is too close to the south-east.

But in the early days land for factories and housing was cheap, simply because Milton Keynes was virtually a green field site.

The designated area was 22,000 acres, only a fraction of which was taken up. The Development Corporation which was the owner of most of the land and was also the planning authority for it, was able to offer fully serviced industrial land for sale or rent. The Corporation built tens of thousands of houses for rent at modest prices and it sold plots of land to people who wanted to build their own homes.

Prices for land have in the past few years begun to catch up. Prime land now costs £500,000 an acre which is comparable with other towns within reach of London bidding for companies to relocate or expand. The not so prime industrial land costs £300,000.

Where the MKDC has been far-sighted has been to offer a planned environment. When a company bought land it was usually or often offered an option to purchase the adjoining site at a future date.

This has been vital for some companies that have prospered beyond their expectations and outgrown their original sites.

In some other new towns, such as Redditch, there is now a severe shortage of industrial land. Companies that went there as little acorns are now large oaks bursting their physical limits.

Three-quarters of the UK's population live within a three-hour drive

In Milton Keynes a company buying a site takes out an option on an adjoining or nearby site. It updates this option regularly to take account of market rates. When it is ready to expand it can conveniently build next door. The main stipulation is that the company uses the land itself. It is not allowed to speculate in land. If it does not use the land then it reverts to the MKDC.

The ability of companies to expand existing premises rather than move elsewhere has been a key part of Milton Keynes's ability to attract and keep industry. So, too, has been the availability of cheap housing.

When the Corporation started in 1967 the population in the designated area was only 40,000 and there were 18,350 jobs. Unlike other former industrial towns there was not a vast amount of unemployed labour on which to draw. Companies had either to bring their own workers or import them from elsewhere.

Crucial to this was somewhere for workers to live. The MKDC built more than 40,000 houses, many for rent. Most of these have now been sold off and the MKDC can no longer build houses for rent.

The Corporation is attempting to keep prices low by shared ownership schemes and encouraging housing association. However, the speculative builders have arrived, and, as with industrial land, Milton Keynes has caught up with other parts of the south-east in terms of house prices, even though prices are static or falling.

The shortage of labour could become a serious bottleneck for Milton Keynes's future development. Unemployment is down to 2.3 per cent and without cheap housing, there will be little encouragement for people to move to the town.

The MKDC claims it is not as badly off as other places. It has a young population and will not suffer from the severe drop in school-leavers predicted for the country as a whole by the mid-1990s. The MKDC says it has identified a pool of married women who want to return to work. It is also possible to calculate from ticket sales that 10,000 people commute to London each day. However, this could be misleading because people from surrounding areas park in Milton Keynes and go to London. London is also so close that people go on daily shopping trips. However, there is evidence of a greater net immigration to Milton Keynes than emigration.

There may well be commuters who could be persuaded to stay closer to home if wage levels rise sufficiently. Despite all this, the possible labour shortages provide a cloud on the horizon for Milton Keynes.

Communications, cheap land and a good availability of labour are not the only reasons for companies to move, start up or expand. People have to take into account schools, and the quality of life. But these three factors have been critical for Milton Keynes.

The population is now 145,000 and in the Milton Keynes borough as a whole there are 92,400 jobs compared with 21,350 in 1967. These figures are not strictly comparable since the basis of estimates has been changed, but the MKDC claims that net, something like 70,000 jobs have been created.

Private investment towards the end of last year was £1.75bn. More than 2,500 companies have set up in Milton Keynes in the past 23 years . By the time the Development Corporation is wound up in 1992, investment should top £2bn. It is thought private investment could reach £3.6bn by 2000. By then the net public sector investment at current prices would be about £400m. Should this turn out to be the case, the MKDC would consider its job to have been largely well done.

Stewart Dalby

PRIVATE AND PUBLIC HOUSING

Borough faces home truths

DURING 1989 the Borough of Milton Keynes, exercising a statutory responsibility for certain categories of homeless people, accepted 800 new cases of families in need of homes. In big city terms the statistic appears low.

But the borough's housing director, Ian Wilson, is not the only person to be concerned. His immediate problem lies in finding a roof for such people – and the borough has resorted to bed-and-breakfast establishments as far away as Luton. To others, homelessness cropping up in the new city is a sure sign that housing policies are going badly wrong.

Milton Keynes is no different from elsewhere in its reliance on the private sector. Neither the Development Corporation nor the borough council are allowed to build housing for rent. Since the financial year ending March 1982, when Government policies first fully impacted, only a small proportion of housing completions in the new city have been for rent. Simultaneously, public sector stock, both Development Corporation and borough council-controlled, has seen depletion through sale.

Over the coming decade some 50,000 people are expected to swell Milton Keynes, drawn by the prospect of good jobs and new lives. Where will they all live? There is little problem for those with well-paid employment. The city has a broad housing market, with some 50 developers offering anything from a one-bed flat to a six-bed detached villa at outer Home Counties prices, which means considerably lower than London. But what if you can't afford to buy?

The Development Corporation's principal response lies in shared ownership and low cost sale housing, available only to means-tested applicants who apply to be put on the housing list. In the first option, purchasers mortgage a minimum 30 per cent of the property, paying rent on the balance (which they can acquire as their circumstances improve). Shared ownership accounts for about one in 10 of new completions, and opens the way to home-buying for those earning between £9,500 and £15,000.

Low cost sale housing is an option for people with £15,000-£19,000 salaries. Institutions such as building societies take an equity stake in the property in return for deferred payment of the land value element. Typical monthly costs of shared ownership homes start at £150, while the upper limit is about £350 monthly.

Development Corporation estimates suggest that a further 20,000 dwellings are necessary to complete the city's planned growth. One third of these are likely to be "social" or subsidised houses (indistinguishable from others in any development). They include an element of housing association sheltered and straight rental housing (available to those with salaries from £7,000).

To achieve this broad aim, MKDC plans to strike agreements with the developer consortiums negotiating for the large development opportunities (LDOs) in east and west Milton Keynes. The intention is to extract legal undertakings that will apply beyond the time the Corporation is disbanded. Developer interest in the LDOs is primed by the hope of substantial contracting operations; in return, MKDC expects the consortiums to defer some of the land cost element.

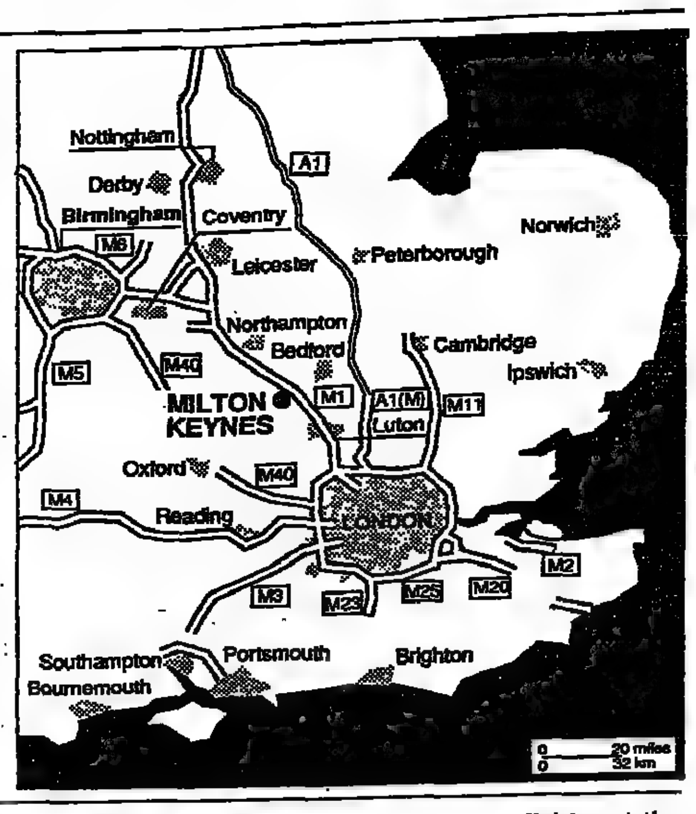
In the static housing market this approach is proving hard to achieve. The Development Corporation is negotiating to revive a deal for a 100 hectare grid square at Emerson Valley, where the Milton Keynes Housing Group, a consortium of house builders, together with the Coventry Churches Housing Association, has plans for a 1,000-dwelling scheme with shops and a local school. The deal must succeed to create momentum for LDOs, but the Corporation is restrained by government requirements to sell land at market value.

All this presupposes that incomers can afford to get on the house-buying ladder. It has little to offer the low paid. Firms such as the John Lewis Partnership, a major employer in the city, report extreme problems in filling some posts. Some are already busing in workers from Northampton and beyond. The official homeless figures are swollen by people lured to Milton Keynes by the promise of work.

There remain some 17,000 public rented units in the city, two thirds of which were built by the Development Corporation. Long waiting lists, and the forthcoming transfer of MKDC's assets on wind-up, have led to tension with the borough council and, in particular, the minority Labour group. For most of the 1980s the borough council managed the Development Corporation's housing with, according to Ian Wilson, no complaints. Then management was abruptly transferred to four housing associations.

Friction between the borough (run by a coalition of Conservatives and Democrats) and the Development Corporation is more to do with goals than with ideology. MKDC is under considerable pressure to secure development agreements before the wind-up takes place.

Robert Waterhouse



Lydia van der Meer

A city made for motorists, not for pedestrians, critics say

Robert Waterhouse digs into the history of a new town

The biggest success story

THE city of Milton Keynes is sure of special treatment when the full history of British new towns comes to be written. It will be seen as the largest, most comprehensive and very possibly the most successful example of the garden cities movement which began with Ebenezer Howard and Letchworth in 1903. It is the culmination of a school which has, for good or ill, dominated 20th Century architecture and planning, influencing communities the world over.

Milton Keynes is a third-generation new town, a creation of the 1964 Wilson Government determined to tackle, once again, London's overcrowding and the ramshackle nature of British industry. The city's 1967 designation came in the same breath as expansion arrangements for Northampton and Peterborough, and the enlargement of Telford. It was followed by Warrington, later amalgamated with Runcorn, and Central Lancashire. Both have already left the development phase behind. Milton Keynes was always a much more ambitious project.

As the slow process of consultants' studies and public inquiry was set into motion, Britain teetered out of the buoyant 1960s into the troubled 1970s. By the time work started on the 1km grid pattern of dual-carriageway roads criss-crossing the unassuming North Bucks countryside, the country had survived the three-day week and the oil crisis.

A new breed of conservationists spread alarm at the alleged wrecking of urban areas; concern was mounting about the plight of inner cities – a plight worsened, not alleviated, by population loss to overspill zones; the new town movement, fully backed by a powerful Civil Service division, came under attack from backbenchers responding to their urban constituents, and from expenditure committees.

In September 1976 the then Environment Secretary, Peter Shore, announced a policy switch of the country's dwindling resources from new town development towards help for the big cities and other urban aid. Mrs Thatcher's distaste for Labour-created quangos, and her need to respond to the urban crises of the early 1980s, brought no hint of respite for new towns. Her controversial decision to create urban development corporations in Labour heartlands implied a paving over of the garden city concept, though some officials proved adept at transferring roots.

These were the years when Milton Keynes had to press on with the task of building roads, infrastructure and housing, attracting industry, commerce and private sector investment, catering for the needs of tens of thousands of new inhabitants.

It says much for the logic of the 1970 Master Plan by Llewelyn-Davies, Weeks, Forestier-Walker & Bor, and for the skill of the city's general manager during the 1970s, Fred Lloyd Roche, that the concept survived unadulterated. Lord Campbell of Eskan, the first development corporation chairman, had announced soon after his appointment that he was not prepared to build a second-class city. Milton Keynes meant business.

The approach encouraged flexibility. Within the grid road system development would take place as circumstances permitted. However, the original concept of high private sector involvement, a spread of employment opportunities across the city, and a balanced housing mix remain more or less intact as the city moves into its final development phases. Today's residents would find their way round from the strategic plan map of 1970.

Despite the world's narrowing horizons proposals were decidedly optimistic. They foresaw a population target of 250,000 – a target which has now been slimmed to 200,000 by the end of the decade, but remains by far the biggest influx to any new town. They predicted lots of jobs: "the favourable location of Milton Keynes means that little difficulty is expected in attracting new industry to the city".

More specifically, they set the parameters for inward investment and relocation: "The new city offers, both nationally and internationally, a unique opportunity for the establishment of a wide variety of businesses, not only as a centre in the United Kingdom but for future European operations."

The plan stipulated that at least 50 per cent of housing be built for sale, and urged innovative approaches to shared ownership. It stated that small buses would prove the most effective form of public transport, but accepted the problems of running an effective transport system for a diffused population in a decentralised city.

Milton Keynes was eager not to repeat the mistakes of other new towns. "The Corporation," said the plan, "is determined to achieve a wider spread of social, age and racial groups than has hitherto been achieved and also to attract to live and work in Milton Keynes people with a wide range of incomes."

The authors were aware of charges about uniformity and predictability in town centres such as Basildon or Skelmersdale. "The new city is planned to give the richness and variety offered by existing cities but without their all too common traffic congestion, noise, pollution and general inconvenience." That variety, or "chance of surprise" as the report later calls it, has perhaps proved the most elusive goal.

However, freedom of choice within an infrastructure which encourages rather than inhibits market activity are bywords of the Llewelyn-Davies concept. Unlike Professor Arthur Ling's plan for Runcorn or Sir Hugh Wilson's for Skelmersdale following on Cumbernauld, Milton Keynes was never going to be dominated by an all-in-one central building. When it arrived on the scene in the late 1970s, the huge shopping centre, a Modern Movement classic internally, was deliberately traversed at roof level by the city's highway system.

The disadvantage of taking a virgin site, is that the development corporation has it all to do. And when the time comes for wind-up, the inheriting local authority (in this case Milton Keynes Borough Council) faces a much tougher challenge. In 1986, when Central Lancashire Development Corporation disappeared only 16 years after designation, Preston Borough Council sighed in relief and set up an economic development office.

To the surprise of many, Milton Keynes has proved to be fairly conventional architecturally. Unlike Runcorn or Peterlee it is not characterised by heavy statements. Early experimental public housing schemes had a bad press and were not repeated. Market forces have superseded social modelling. The city mostly resumes the garden suburb tradition of space, greenery and semi-detached living. It has been largely successful at blending in existing towns and villages without attempting to change their character. The village of Milton Keynes itself, where many of the city's top people live, is next in line.

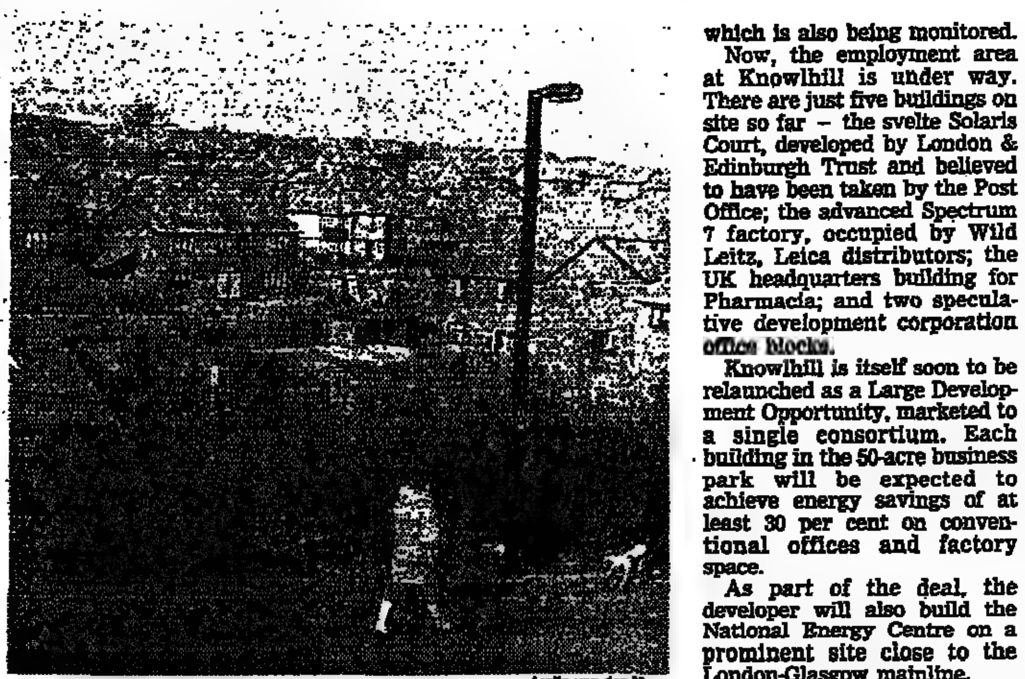
Frank Schaffer, who headed the new towns division at the Ministry of Housing and Local Government for seven years during a crucial development period, wrote in 1970 that the new town age was drawing to a close. He foresaw the change of emphasis from creating new communities to renewing old ones. That, he suggested, was a tough order.

"The new towns have the difficult task of creating a history and building up a tradition. Rebuilding old towns presents the even more difficult task of retaining history and recapturing centuries of tradition within a structural framework suited to modern life."*

Twenty years on the new towns are still struggling with history and tradition, while comprehensive redevelopment of inner city areas has been recognised as a dire mistake. Today's urban development corporations pursue infill and infrastructure; they are enablers rather than providers, demanding private sector leverage way in excess of Milton Keynes's substantial 2:1 achievement.

Where does the city leave Ebenezer Howard's ideal? David Lock, a planning consultant who lives and works in Milton Keynes and is vice-chairman of the Town and Country Planning Association, sees MK as the "honourable conclusion" of an ideal. Its like, Mr Lock believes, will not be attempted again.

* *The New Town Story, MacGibbon & Kee/Paladin.*


New houses in Milton Keynes are built to conserve energy

Lydia van der Meer

HEAT CONSERVATION

Taking energy's measure

NEXT month sees the public launch of the National Energy Foundation, an independent charitable trust established to promote better use of energy in the built-up environment. Its genesis lies in energy-specific projects at Milton Keynes. Its impact could achieve tangible savings in energy consumption across the country in a relatively short period.

The Foundation will frame its message round the simplest of formulas, the National Energy Rating (NER), which measures energy efficiency in domestic households. The least efficient – a draughty, uninsulated Victorian villa – would probably rate one or two on the scale. The most efficient – houses built to modern Scandinavian standards of heat conservation – would rate around nine. In between, present UK building regulations produce a rating of five, soon to be upgraded to around six.

Milton Keynes' own standards for all new houses built in the city produce a rating of seven; a large demonstration project already under way in the city's energy park will achieve an eight rating – which in our moderate climate means minimal energy consumption and costs.

The rating concept is a development of fully-validated Building Research Establishment models. Using licensed software, a national network of inspectors will offer an energy rating survey to householders which takes the design and form of construction into account, along with the efficiency of heat and light systems.

Stephen Fuller, director of the National Energy Foundation, believes that NER will become an essential indicator of performance. He predicts ratings of six and over being used as sales props by estate agents, rather like fuel efficiency sells cars. Schoolchildren may be taught to recite energy efficiency rules rather like their accident prevention slogans. The market will prevail.

The whole thrust of Mr Fuller's work with Milton Keynes Development Corporation in his previous job as project director at the energy park was to establish the commercial viability of energy measures. In the early 1970s Milton Keynes established a reputation for innovation through a rental scheme at Pennyland and private developer houses at Great Linford, both using passive solar collection techniques combined with high insulation. Individual approaches, built with the corporation's help and encouragement, explored different approaches to energy conservation. But each experiment was conducted, and monitored, individually.

Mr Fuller returned from consultancy work overseas to produce a 1982 report drawing together the Milton Keynes projects and the thinking behind them. The next logical step, and a crucial commitment, lay in designation of two kilometre squares within the city as an energy park – Shenley Lodge for housing and Knowlhill for industry. They would be developed to normal architectural and environmental standards, apart from the special emphasis on energy saving.

In 1986 the energy park made headlines with the opening of Energy World, a collection of 50 very individual houses illustrating various concepts of energy efficiency. These, together with 110 more standardised houses remain part of an ongoing project, individually monitored for energy consumption. They include a sheltered housing complex with its own combined heat and power plant.

Phase two of Shenley Lodge will consist of 600 dwellings, planned to reflect a cross-section of housing types from five-bed detached homes to housing association rented apartments. Abbey Housing, for instance, is in the process of building a scheme aimed to demonstrate the relationship between heating costs and rental levels.

Mr Fuller has deliberately involved the maximum number developers and construction companies to show that better insulation, closer attention to design and the use of methods such as passive solar gain costs only marginally per square metre more than standard housing. It can, however, be a useful sales tool. Energy efficient houses do well on the open market – a process which is also being monitored.

Now, the employment area at Knowlhill is under way. There are just five buildings on site so far – the svelte Solaris Court, developed by London & Edinburgh Trust and believed to have been taken by the Post Office; the advanced Spectrum 7 factory, occupied by Wild Leitz, Leica distributors; the UK headquarters building for Pharmacia; and two speculative development corporation office blocks.

Knowlhill is itself soon to be relaunched as a Large Development Opportunity, marketed to a single consortium. Each building in the 50-acre business park will be expected to achieve energy savings of at least 30 per cent on conventional offices and factory space.

As part of the deal, the developer will also build the National Energy Centre on a prominent site close to the London-Glasgow mainline.

The centre – Mr Fuller promises something very exciting visually – is expected to attract about 500,000 visitors a year. It will combine trade and technical exhibitions with educational facilities and a themed, hands-on interactive display.

A third and final phase of the energy park is planned for a smaller area beside Furzton Lake. Here the idea is to make use of lake water to heat (or indeed cool) housing and commercial development built on the south-facing bank.

Mr Fuller is at pains to stress that none of the energy park projects is particularly innovative in itself. It is the idea of combining and monitoring the effect of the projects and of involving mainstream operators, which is unique. Milton Keynes is indeed the world's largest, and most diverse, demonstration of energy-efficient construction. It is a spur both to the building industry and to the Government.

The National Energy Foundation will shortly move away from development corporation offices to its own premises in the energy park. The foundation, already quoted by British Gas and East Midlands Electricity as an authority, needs to reinforce its independence. Like other organisations spawned by the Development Corporation, life will just be starting come the 1992 wind-up.

Robert Waterhouse

OPEN UNIVERSITY

A very learned correspondent

THE Open University is, at around 2,000, the biggest employer in Milton Keynes. The chances are it will soon be replaced in that role by private sector dynamism, but the OU has played a unique part in the growth of the new town. Conversely, Milton Keynes has proved the ideal location for a university which conducts its business via correspondence and regional centres.

Visiting Walton Hall is rather like catching a university campus just after term-end. The lights are shining brightly, people shuttle busily about administrative tasks, but there are no students. Attractive though this may seem in theory to harassed teachers, it brings alternative pressures. The OU has some 600 academics plus 200 research staff whose responsibilities spread to about 100,000 students in the UK and beyond.

As many again buy learning packs, often passed (with the OU's active blessing) between multiple users. The packs start at around £20 for, say, an introduction to symphony orchestras and climb to £600 for engineering programs – including software and hardware.

Although it is not a political football, pruning of grant support by the Government has led to an increase in tuition fees well above the rate of inflation. A typical course costing £45 a year in 1971 and £173 in 1981 is today about £350. The OU now generates £30m of its £100m turnover from fees and publishing ventures.

Over the years since 1971, with the core business of degree courses fully established and recognised, the OU has moved into the mainstream of continuing education, working with industry and institutions to open up the prospect of higher education. Mature students with no formal qualifications can now gain an MBA or an MSc via diploma courses and projects. The OU has made a speciality of in-service courses for nurses and teachers.

Dr Ian Dey, deputy director of the School of Management, set up within the Open Business School as a full faculty to develop the MBA programme, says that the courses, self-financing from the start in 1983, have seen a growth rate of 35 per cent annually since. This academic year some 750 students began on the MBA trail, which will take them a minimum of three years.

Non-graduates, who are expected to have relevant experience and be at least 27, enter via the OBS's Professional Diploma in Management. It can cost individuals almost £5,000 to qualify for an MBA, but Dr Dey notes a growing number of people prepared to invest in their own future career prospects, often encouraged by their employers.

Given the relatively small number of MBAs qualifying nationally each year, the much greater cost of residential full-time courses, and the lingering paucity of management skills within British industry, the Open Business School recognises its opportunities and responsibilities. The school has been associated with the Management Charter Initiative, developed under Bob Reid's tutelage at Shell, whose perceptives are framed by one frightening statistic: of Britain's 2.5m managers only 18 per cent have any training.

The Open University is also aware of its potential as a resource centre for industry, placed as it is in the country's fastest-growing city beside hundreds of new and expanding companies. To this end, the Contract Training Unit was set up outside the OBS offering one-day or customised training courses. Within the unit, Tony Pearce, an engineer by background, was appointed two years ago to a three-year post funded by Milton Keynes Development Corporation. His brief was to encourage training links with local industry.

Mr Pearce admits candidly that the idea has not proved a runaway success. "The economics of contract training mean that it has to be geared to groups of at least 10 people, and that doesn't fit the small companies which predominate in Milton Keynes," he says. "At the end of the three years we will almost certainly conclude that the city is not a viable market for contract training. That doesn't mean to say small companies can't benefit from our expertise. We could really help them through crucial development stages."

The problem is not just cost for these companies. It also relates to sparing key people, and to company organisation. Trial projects investigated price sensitivity, used employer networks and small business clubs. With notable exceptions the Milton Keynes business community showed little enthusiasm. However, Mr Pearce's time has not been wasted. The CTU is beginning to make a mark nationally, and he has taken on responsibility for software management courses.

Because it must sell its services to industry in a highly competitive market, the CTU is learning to cope with an image problem relating to the OU's very success in its core business. "The public perception is as a second chance for housewives," suggests Mr Pearce. He and his colleagues have learned to use prestige venues, top-class speakers (including the OU's own high-profile academics such as Professor Darrel Ince) and to charge full market rates. Any suggestion of a recycled hand-out goes down very badly.

Robert Waterhouse

A Japanese home from home

ENPLAS (UK), a Japanese manufacturer of high precision plastic components for video equipment, is in Britain because cost factors in Japan, notably a strong yen, meant it was cheaper to manufacture in countries to which the company would normally export its products.

The parent company, Dai-Ichi Seiko, set up a plant in Singapore in 1975, in Georgia in the US in 1980 and in Britain in 1988. In the UK it employs 30 including three Japanese managers, and has a turnover of £4m, half of which it exports to Europe.

Britain was chosen because freight costs, import duties and the long lead times, were all against using Singapore to tap the large European market.

The prospect that non-tariff barriers against Japanese companies will intensify come the EC internal market in 1993, gave a certain urgency to the idea of Enplas establishing itself somewhere in Europe before then.

If the arguments for Britain were convincing for the company, why Milton Keynes? Mr Okada goes on at some length about the quality of life in Milton Keynes, the wide open spaces and the recreational facilities. He also stresses that Milton Keynes is very convenient for Heathrow, and, as the company is a low volume high value manufacturer, the airport is the critical outlet.

However, the simple answer, perhaps, is that Enplas was attracted to Milton Keynes because other Japanese companies were already there. There is critical mass as far as the Japanese are concerned.

There are now 33 Japanese companies in the town, which has probably the largest concentration of Japanese concerns in Britain, although in terms of employment by Japanese companies, Telford is probably bigger. Mr Okada says that because his company is not labour intensive Milton Keynes' shortage of workers does not really affect it. Had Enplas needed hundreds of workers the company would probably have gone elsewhere, perhaps to Telford or to Scotland.

There is a Japanese school in Milton Keynes and, as Mr Okada points out, the city is close to north London where there are all kinds of Japanese businesses, garages, hairdressers and printers. Given the cultural difficulties Japanese have in adjusting to foreign countries, they obviously prefer places such as Milton Keynes where they can club together for warmth.

Stewart Dalby

Robert Waterhouse examines the city's lifestyle

Few grounds for pleasure

CREATING a new city is a good deal of fun for architects and planners, especially with hundreds of millions of public pounds to spend. Living in that city can prove *less fun during* the formative years.

Milton Keynes claims to be Britain's most successful new town in terms of commercial and business activity, and jobs. But what inspires the 100,000 or so new inhabitants when they are not working?

Being less than three-quarters of an hour by fast train from London makes trips to West End shops or shows hardly unusual. More than one third of the new population have origins in London and a further 38 per cent in the Home Counties (excluding Bedfordshire, Buckinghamshire and Northamptonshire) so Milton Keynes has fought an uphill struggle against the lure of the capital. The city has its own chamber orchestra and a unique music venue, The Stables, created by John Dankworth and Cleo Laine beside their Wavendon home, but that is it.

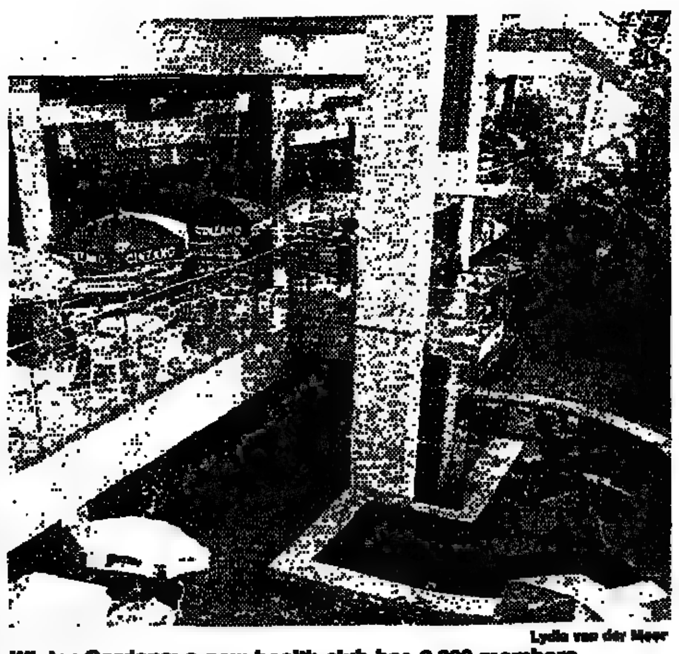
Only now, 22 years after designation, Milton Keynes is beginning to develop an *apres travail* culture. This, reflecting its youthful population profile, revolves around physical *rather than intellectual* relaxation. The new city is becoming a regional magnet for the South Midlands in terms of roller and ice skating, indoor and ten-pin bowling, a mini grand prix racing circuit and so on. Outdoor activities include two new golf courses with the possibility of a third; power-boating, sailing, bird-watching and angling on a sequence of man-made lakes; cruising on the Grand Union canal; or simply enjoying the linear park cleverly entwined north-south through the city.

These are all tangible lifestyle benefits, demonstrable to businesses looking at Milton Keynes *for relocation and fully* enjoyed by residents. When LivingWell Health and Leisure signed to develop a health club in the Winter Gardens, the company knew it would have to provide something special because public swimming pools and gymnasiums were already excellent. LivingWell is a London-based organisation which until the Milton Keynes venture opened early last year had operated only in the United States. It put US practices on trial here, and it has not been disappointed.

LivingWell's emphasis on customer service and exclusiveness has found plenty of takers in the new city – people or companies willing to pay a joining fee of up to £295 plus hefty monthly dues. According to David Sheriff, the company's US-born *development manager,* will improve with the proposed theatre complex (on offer again after Richard Branson proved unable to raise the capital), the museum and art gallery, the multi-denominational "cathedral" – the Church of Christ the Cornerstone, work on which starts shortly – and a second luxury hotel planned *for the final phase of the* Central Business Exchange.

Part and parcel of LivingWell's £3.5m Milton Keynes investment was to create restaurants and a nightclub in the Winter Gardens. This is proving an altogether slower task. Central Milton Keynes obstinately remains an accretion of interest nodes rather than a throbbing city. Despite success stories such as The Point, the 10-screen cinema and entertainment complex which has become the haunt of the young, there are still not enough clubs, restaurants, bars and dives in the city centre to give impromptu visitors that essential element of anticipation and surprise.

The grid street pattern, which serves the city well throughout, does not lend itself to smallscale variety. Things *will improve with the proposed* membership lists are nearly full. Research shows that 10 per cent of the 2,800 members use one or more of the facilities every day. LivingWell is opening London clubs on Edgware Road and Cromwell Road, closing a deal with Ladbroke at Watford, and looking seriously *at a Sheffield site.*



Lydia van der Meer

Winter Gardens: a new health club has 2,800 members

The most dynamic growth sector of central Milton Keynes remains the office area, where the prospect of rents at £20 per sq ft and the emergence of regional headquarter operations has caused the cranes to fly. Office development is bringing parking problems for the first time, problems compounded around the station by London commuters who arrive by car from as far away as Birmingham because, for the time being at least, street parking is free.

Just how far central Milton Keynes has to go may be judged by taking a short trip to Stony Stratford, the coaching town in the north of the city on Watling Street, the old A5. Stony Stratford has benefited from nearby residential areas without quite being engulfed. Sensitive planning ensured that the town kept its integrity. There is now a double bypass of the A5, allowing semi-pedestrianisation of a main street where the ancient Cock and Bull hotels stand side by side – originators of the tall story.

It is a comparison so extreme as to be almost unfair, but Stony Stratford has all the quirky character, the winding alleyways and jumble of architectural styles, the interwoven shops, housing and workyards one tends to associate with interesting places. Pubs, takeaways and restaurants abound. Hotels luxuriate in names such as the Different Drummer where central Milton Keynes has the Post House. The public loo sports imaginative graffiti; its award-winning neighbour at CMK's shopping centre is faultlessly clean and unadorned.

This centre, opened more than a decade ago, remains the nearest thing to a beating heart in the new city and has already become a classic of its kind. In size alone – 1.1 million sq ft of retail space, all on one floor apart from the John Lewis department store, with another 500,000 sq ft of public space – the shopping centre is almost a city in itself.

Walking up one covered arcade and down the other is a round trip of about a mile. Derek Baker, the shopping centre manager, reckons there are 500,000 pedestrian visits a week. Access is the key – free parking along the whole length and opening hours of 7am to 11pm seven days a week mean people use the centre, and its associated superstores, very much as a high street.

Mr Baker, a former army officer, marshals his cleaning force with precision. The 98 litter bins are emptied every 20 minutes throughout the day. When the doors close at 11pm big machines roll out to buff the travertine marble floor, covering six miles each night. Window cleaners never stop: they have more than 1 million sq ft of glass to keep bright. The lawns and summer flower displays, he boasts, are among the best in the city. There is even need for judicious pruning of the tropical trees and plants which sub-divide each arcade. Everything grows.

Up to now the shopping centre has housed big high street names and small local ventures alike. But its very success – for instance attracting coach parties from well beyond the Midlands – inevitably means rising rentals and the slow drift away of the smaller turnover businesses as leases come up for renewal. John Lewis's managing director, Jim Matthews, chairman of the shopping centre's association and a former chairman of Milton Keynes Chamber of Commerce, shares a concern for the small trader but is equally worried that the centre's logical expansion may prove difficult after wind-up of the development corporation.

"We have been trying to support the corporation's continuance," *says Mr Matthews.* "There is so much opportunity. We are concerned about how firmly the corporation can fix the guidelines which will apply after its demise. Expansion must take place to the same standards as before."

The John Lewis store itself confers regional status on Milton Keynes as the biggest shop between London and Nottingham. Across the way, the Waitrose superstore (also owned by John Lewis) is the largest in the land. Altogether, the company employs 1,250 people in the city. Mr Matthews reports that the downturn experienced in most city centres during the pre-Christmas season was not paralleled in Milton Keynes, where many shops beat their 1988 record weeks.

The city's flourishing economy has meant a surge in consumer durables stocked by shops such as John Lewis. Milton Keynes' residents own markedly more video recorders, home computers, compact disc players and telephones than the national average. Cynics suggest that without such diversions dark nights remain very long in the young city, and help account for the high birth-rate. As the roll call of entertainment centres grows that charge will be increasingly harder to sustain. And, of course, Stony Stratford is always just down the road.

So much still to be done

Continued from Page 1

will open with an Olympic-size ice rink, with seating for 2,500spectators,a 36-lane tenpin bowling alley, a disco and themed restaurant and bar complex.

A huge multi-denominational church is being built in the centre, but a vast £60m development, which would have included a 700-seat theatre, a 200-seat cabaret venue and a private art gallery as well as private apartments, has fallen through.

This was to have been built by Vanson, the development company of Mr Richard Branson's Virgin group, but the scheme collapsed over difficulties in raising the finance. Now Milton Keynes awaits other offers for a similar scheme. According to Mr Hill: "We have got to get a theatre and museum in place before we go."

Many in the development would have liked more time to complete the task. But new town development corporations have become unfashionable. The government believes inner city urban development corporations are the way forward.

As one executive put it: "Having spent the last 20 years and untold millions persuading people to move out to the countryside and new towns, they are now going to spend the next 10 years and further untold millions getting them to move back into inner cities."

It is most unlikely that the companies already in Milton Keynes will move out once the Development Corporation disappears.

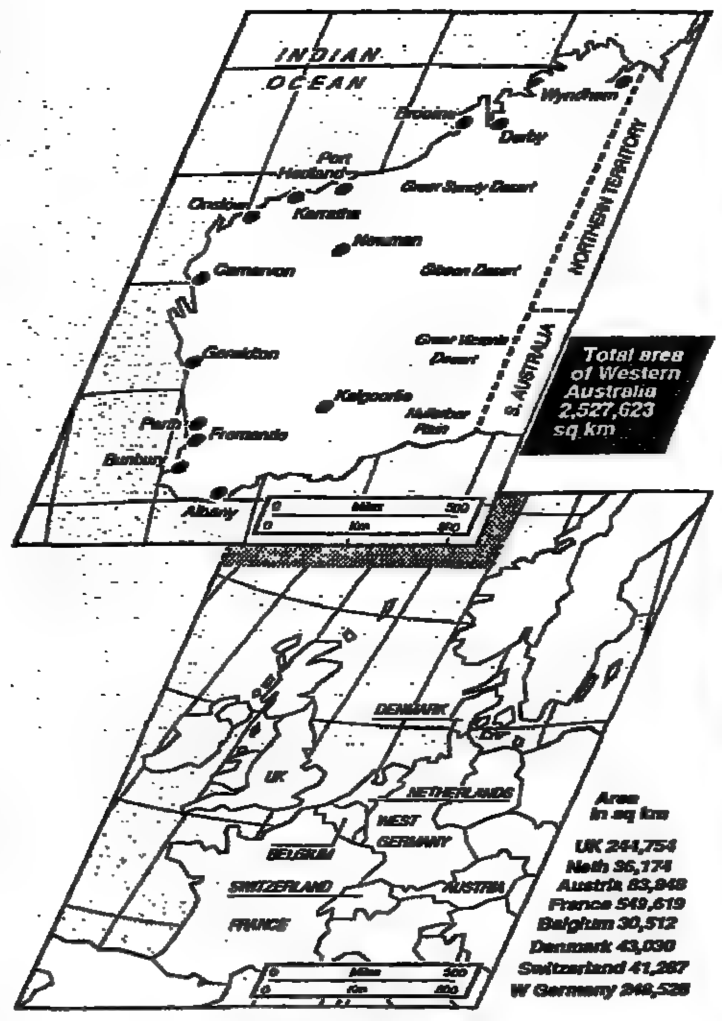
But with a little more time, the Corporation could have finished the job of turning Milton Keynes from a successful business city into a completed three-dimensional community. Twenty-five years, after all, is not very long in which to create a living, breathing city.

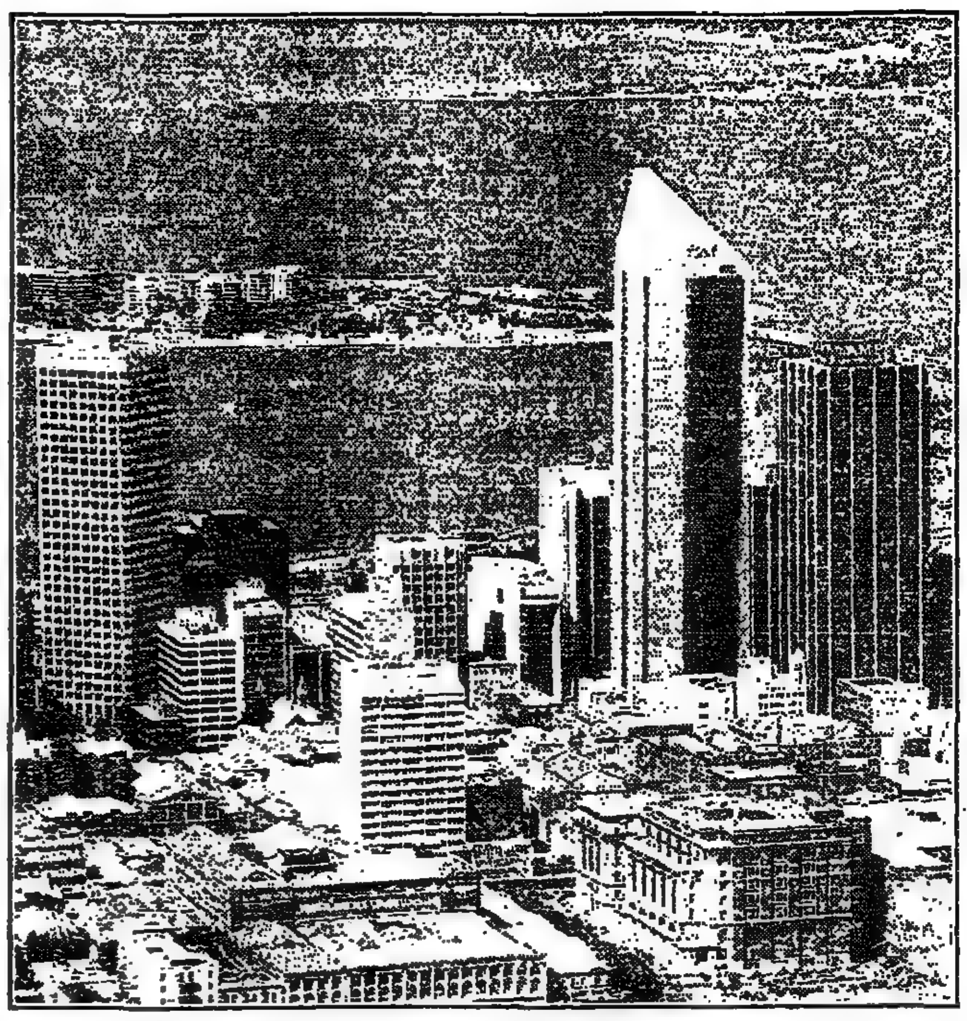
SECTION IV

FINANCIAL TIMES SURVEY

Biggest of Australia's states, Western Australia is blessed with an abundance of resources, an educated workforce and excellent infrastructure. But the fall of the "Perth entrepreneurs" spotlights the political and economic problems, says **Chris Sherwell**

Rich state, but can do better





(Left) The vastness of Western Australia - drawn to the same scale as Western Europe. (Right) a view of Perth

Western Australia

BIG PLACE, small town: that's Western Australia, Australia's largest state. About the size of Western Europe, it has a population of only 1.6m – and two-thirds of them live in the suburban sprawl, village-atmosphere of Perth.

For the visitor, there are two immediate images. One is of people leading a good – or more accurately soft – existence, with a fine climate and outdoor living in a clean environment. They are mostly well-off, with jobs, houses, gardens, cars, nearby beaches and all support services, living in a cliquey small-town community with lively local government.

The other impression focuses on the curious mix of "frontier" qualities acquired by Western Australians – among the most isolated people in the world – during the state's 160 years of existence.

It is a mix which has earned Western Australia the epithets "Wild West" and "state of excitement": on the one hand independence, resourcefulness and fighting spirit; on the other a set of cavalier attitudes – an almost naive tolerance of those promising easy fortune, a surprising disregard for what is right or responsible in public affairs, and a deep suspicion of outside forces, especially Australia's "Eastern states."

Underpinning Western Australians' seductive lifestyle is a fabulous endowment of resources: gold, iron ore, nickel, aluminium, mineral sands, diamonds, natural gas and coal. Not for nothing is the state also called the "Golden West."

Western Australia is a major producer of wheat (one-third of Australian output) and wool (a fifth), and of such exotic products as pearls and sandalwood. The Labor Party Government, headed by Premier Peter Dowding, loves to point out that, with less than 10 per cent of the population, the state produces more than 20 per cent of the country's total exports.

Yet the truth is that only a tiny proportion of its people work in mining and agriculture, generating wealth. Most of them work in service sectors such as retailing, community services and government.

Indeed, in a sense Western Australia could continue expanding almost regardless of its state government or most of its people – just so long as the world economy grew and commodity prices were firm.

In the late 1980s Western Australia was doing just this, notching up the fastest rate of economic growth in the country and managing the highest population growth as well, thanks mainly to migration.

Although the state's current economic outlook is gloomy, in line with the rest of Australia, the long-term fundamentals are undeniably positive.

The 1980s also saw the rise and fall of the so-called "Perth entrepreneurs." The ascendancy of these multi-millionaires owed much to easy credit, a bull run on the stock market and inflating asset values. But their antecedents are to be found earlier, in the dramatic events of the 1890s gold rush and the late 1960s nickel boom.

The best known of them, Mr Alan Bond and Mr Robert Holmes à Court, sought to straddle the world, but a clutch of others, some spawned by the Perth stock exchange's "second board" set up in 1984, trailed in their wake across the state.

At one stage, they seemed incapable of putting a foot wrong, and Perth was said to possess some mystical talent for spawning entrepreneurs. In fact it was part of a familiar boom and bust cycle. The international share market crash of October 1987 was followed by an Australian interest rate squeeze. The highest-flying entrepreneurs have been grounded quickest.

Among those who survive, none has a company which seriously compares with the real corporate giants of Western Australia, namely the mining companies, which are controlled from outside. These include Western Mining (gold, aluminium and nickel), Broken Hill Proprietary (gold, iron ore and natural gas), CRA (iron ore and diamonds) and Renison Goldfields (mineral sands). Next to them, local blue-chip public companies such as Wesfarmers are tiny.

As with the country as a whole, the state's economic future lies, first and foremost, in adding value to raw materials through processing. In minerals this has included alumina plants, mineral sands processing, a liquid petroleum gas plant, a silicon smelter and the Nugget gold coin. Projects under consideration – some for years already – include an aluminium smelter, a petrochemical complex and an ammonia/urea plant.

Beyond processing, the state's hopes focus principally on export-related service industries – tourism, education and medical services. Its tourist potential is enormous, with magnificent beach locations, the spectacular Kimberley and Pilbara regions and places of historical interest such as Kalgoorlie. The long-term market, for tourists and for educational and medical services, lies abroad, mostly in Asia.

Industrial prospects are limited but, significantly, foreign companies such as ICI, which has a zirconium plant and Rolls-Royce, with a turbine blade project, have established a presence in the state. A boost for local shipbuilding is expected from the Federal Government's decision to base part of the navy on the west coast under its "two-ocean" defence policy.

To attract investors, Western Australia advertises its climate and lifestyle, and its skilled, literate workforce. It also points to its convenient geographical location in relation to the Asia-Pacific region, though this is somewhat over-rated.

Western Australia also needs to implement major structural reforms at the micro-economic level, particularly in the transport and labour sectors. High distribution costs and inefficient work practices are major drawbacks. Longer-term constraints on growth include a lack of cheap power and a chronic shortage of water.

A particular worry concerns local politics – specifically the consequences of "WA Inc", the label used to describe Labor's involvement in and with business since it came to power in 1983. Its business dealings have done the Government, and the state, immense damage.

The policy was introduced by Mr Brian Burke, who was Premier from 1983 until 1987. The idea was to harness the entrepreneurship of business allies and put government assets to profitable use in order to lower the burden on taxpayers. It looked better in theory than it worked in practice.

The flaws were exposed most graphically with the Government's unsuccessful attempts – over more than a year – to rescue the Rothwells finance house. The Government tried several different ways of bailing it out, including a costly commitment to a A$1.2bn petrochemical plant with Mr Bond which was also aborted.

The reverberations of the affair, and of "WA Inc" generally, continue today. In its defence, the Government says things are no worse than in Victoria, or Queensland, or New South Wales, all of which have recently seen a fair share of sordid revelations. But that is not the point.

Neither Mr Burke, who resigned shortly after the Rothwells rescue bid began, nor Mr Dowding, have emerged with honour, although Mr Dowding – to the amazement of everyone (including himself) – won another four years of power for Labor in a state election in February 1989.

He did so with the barest of margins, overcoming a heavy swing against his party by winning the closest seats after a carefully calculated campaign. Politics in Western Australia is highly personalised, and he was helped by the disunity between the leaders of the opposition Liberal and National party coalition. On top of this was the simple fact that there is only one morning newspaper in Perth.

Developments since the election have exposed the full scale of the Rothwells-petrochemical plant debacle. Mr Barry MacKinnon, leader of the Opposition Liberal party, calculates the losses of "WA Inc" at A$770m and says they are likely to go higher. Even Labor acknowledges a loss of at least A$225m.

The full truth about "WA Inc" – particularly the degree of corruption involved – may never be documented. Nor is it certain that the true villains of the piece will be properly punished, although many people regard some sort of expiation as essential.

According to one crusty observer, recent developments in Western Australia are the inevitable result of two factors: an interventionist left-leaning government pragmatically deciding to embrace capitalism for its own ends; and the inadequacies of any government which, in status, stands awkwardly between a county council and real sovereign power.

"A precocious child which has not yet found its way," he says of Western Australia. To the outsider, it is a rich state that should be in a better state.

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Editorial production
Gabriel Bowman

WESTERN AUSTRALIA 2

Chris Sherwell explains the phrase that has dominated the state's politics for the past two years

The confusing reverberations of WA Inc

ONE PHRASE has dominated Western Australian politics for more than two years: "WA Inc." But what does it mean? And is it dead?

According to Mr Paddy O'Brien, a conservative academic who lectures in politics at the University of Western Australia, WA Inc refers to an "interlocking association of vested interests" which coalesced around the state government and, in particular, the Premier's Department under Mr Brian Burke, Premier from 1983 to 1987.

Mr Burke, a former journalist, was in awe of big business. He believed that government should not only deal more with business, it should also get involved in business itself, for profit, with the aim of reducing the load on the taxpayer. He spoke of a "new order" in the state, and by his actions elevated associates, party people and supporters to public prominence.

The first creation to arouse comment was the John Curtin Foundation, a group of prominent businessmen known

Rothwells: far deeper problems than Connell supporters realised

to back the party, including such key figures as Mr Alan Bond, then the state's most successful entrepreneur, and Mr Laurie Connell, head of the finance house Rothwells and a friend of both Mr Burke and Mr Bond.

More specifically, Mr Burke set up new institutions like the Western Australian Development Corporation (WADC) and the Exim Corporation. Exim, a trading company, made some unsound investments and is acknowledged to have been a failure.

WADC, a peculiar entity, was run on private lines and managed public assets for profit without being accountable to parliament. It counted among its successes the creation of Goldcorp, which in turn produced the Nugget gold coin. But it was also handed some Treasury money management responsibilities and traded government land assets. Under public pressure the Dowding Government is dismantling it.

A further development under Mr Burke was the more active – not to say speculative – investment activities of such institutions as the State Superannuation Board and the State Government Insurance Commission (SGIC). Both invested in Rothwells, for example, and the SGIC became caught up in the investment activities of entrepreneurs such as Mr Bond and Mr Robert Holmes à Court.

Adding to the confusion about WA Inc were the financial troubles of the Swan Building Society and the Teachers Credit Society. Bail-outs for these, costing the taxpayer more than A$140m, were the result of rash lending and lamentable regulatory lapses, and the matter is in the courts. The Government claims the issues are little different from those involving the US savings and loans groups.

What really crystallised the notion of WA Inc was the run on Rothwells a few days after the October 1987 crash. Mr Bond organised a group of well-known businessmen, including Mr Holmes à Court, Elders' Mr John Elliott and others, to bail Mr Connell out of his troubles.

They were enticed by a A$150m guarantee from the state government, agreed by Mr Burke in what was the single most critical decision in the whole affair. Mr Burke's reluctance to see Rothwells collapse and investors lose their money appeared to over-ride all other considerations.

As it turned out, Rothwells' problems were far deeper than realised by Mr Connell's supporters, bankers or the state government – although why they did not know or could not find out is a critical question. Mr Connell himself now faces trial over the group's accounts.

In December 1987 Mr Burke left office to take up the ambassadorship in Ireland and Mr Dowding took over. Many now say the new Premier should at this point have made a clean break with Rothwells. But Mr Dowding has always defended his own and his predecessors' actions, challenging critics to say whether they would have acted differently given the same information and circumstances.

What is not in doubt is that, as the full measure of the Rothwells debacle became obvious, the Government sought ways of extricating itself from its guarantee commitment before having to face the electorate. The way chosen was the petrochemical plant project being promoted by Mr Connell and his partner Mr Dallas Dempster – a decision which was as big a mistake as the attempt to rescue Rothwells.

The State Government had long wanted such a project, which would use local natural gas and salt to produce vinyl chloride monomer for export and caustic soda to replace imports. In a deal seen as typifying everything that was wrong about WA Inc, it decided to pay Mr Connell and Mr Dempster an incredible A$400m for their plan.

Of that sum, A$175m came from the Government, the rest from the Bond group. Mr Connell received no less than A$350m, which he used to take bad loans off Rothwells' books and release the Government from its guarantee.

The Bond group's involvement arose from Mr Bond's friendship with Mr Connell and the Rothwells rescue effort. But according to the Bond group, it also sprang from an important parallel development, under which the group had acquired control of the cash-laden Bell stable of companies from Mr Holmes à Court.

Bond now claims that the Government's involvement in the petrochemical project and its 20 per cent shareholding in Bell through the SGIC – acquired at the same time as Bond first moved on Bell – "were from day one enmeshed" and linked with the continuing effort to save Rothwells.

The Government disputes this, but the reality was that, by November 1988, neither side could stave off Rothwells' collapse. Riding the controversy which ensued, the Government went to the polls defending its role, and won re-election in February 1989.

As it did so, a fresh complication emerged: the Bond group's financial problems deepened, posing further difficulties for the petrochemical project. The two sides began arguing bitterly over technical changes sought by Bond and a dilution of Bond's shareholding sought by the Government to facilitate financing.

By July they had acrimoniously parted company, and the project was being put into liquidation. Bond sought damages through the courts of more than A$200m. By November the Government was admitting it had lost its A$175m in the petrochemical project.

This was on top of A$22.5m it was eventually obliged to guarantee after protracted argument to settle Rothwells' affairs. But according to Mr Dowding, this is the sum total of the cost to state taxpayers of WA Inc.

Mr Barry MacKinnon, the Opposition leader, takes a different view. He reckons the cost is at least A$770m, a figure he reaches by lumping in all

The State Government 'should have taken its losses on the chin'

other losses by the SGIC and other government agencies and including pay-outs on Teachers Credit and the Swan Building Society. He wants a Royal Commission to investigate all aspects of WA Inc.

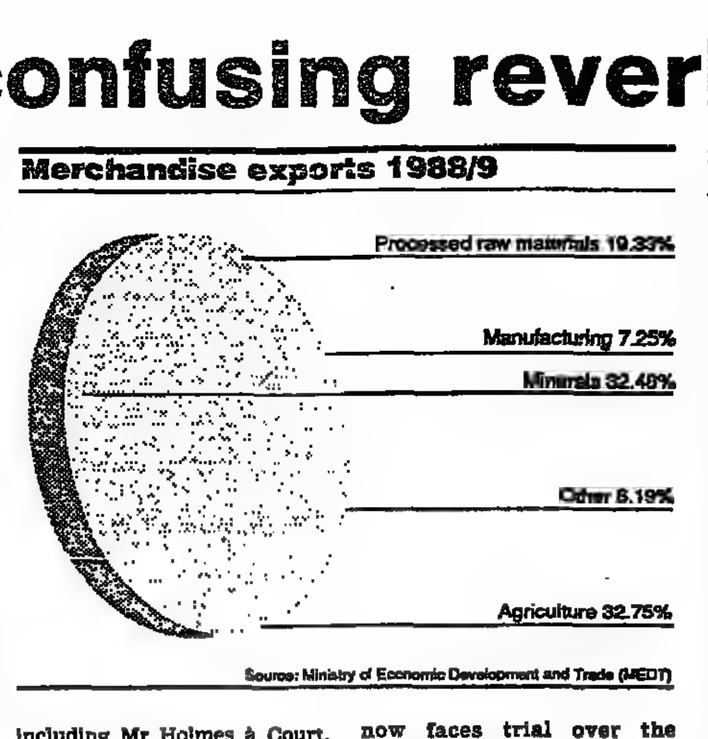
Mr Dowding has always said that the petrochemical project was "a proposal to turn liability into possibility, into potential." He acknowledges that, with hindsight, he would not have gone into the petrochemical project and, "if we'd known where we were going, we'd certainly have cut Rothwells off."

His deputy, Mr David Parker, goes further. He says the Government should have taken its losses earlier and on the chin, and linked its actions on the petrochemical project more explicitly with Rothwells as a debt-equity swap.

The reverberations of WA Inc will undoubtedly continue because of various court cases under way, and people are likely to be punished. Regulations will also be tightened, and perhaps better enforced. Whether better standards will be observed in public and corporate life is another matter.

The saga has exposed appalling naïveté, greed for money and power, cynical judgment and base unscrupulousness. A full explanation and apology to the public for what has happened has yet to emerge. Yet no one in government, opposition or the business sector doubts the damage done to Western Australia's reputation, both at home and abroad.

Merchandise exports 1988/9



Source: Ministry of Economic Development and Trade (MEDT)

KEY FACTS

Area	2,525,500 sq km
Population	1,591,077
Prime Minister	Peter Dowding
Opposition leader	Barry MacKinnon
GDP per capita	US$13,600 (1989 est)
Real GDP growth	1988-89 (est) 7%, 1987-88 (est) 4.5%, 1979-89 (annual) 4.5%
Inflation	1988-89 7.5%, 1987-88 6.4%, 1979-89 (annual) 8.3%
Merchandise exports	(1988-89) A$8.857bn, (1987-88) A$7.492bn
Merchandise imports	(1988-89) A$3.582bn, (1987-88) A$3.217bn
Trade balance	(1988-89) A$5.275bn, (1987-88) A$4.275bn
Trade with Japan (1988-89)	exports A$2.261bn, imports A$754m
Trade with Japan as percentage of total trade	24.2%
Main exports 1988-89 (% of total)	iron ore 19.2, alumina 18.3, wool 13.2, wheat 11.4
Export destinations 1988-89	Japan 25.5%, US 15.8%, European Community 14.0%
Import sources 1988-89	EC 23.4%, Japan 21.0%, US 14.3%
Exchange rate average (1988-89)	£1 = A$2.0483, US$1 = A$1.3240

Profile: THE PRIME MINISTER

Catch a shooting star

MR Peter Dowding, Premier of Western Australia, is the shooting star of the state's political scene – not dissimilar to the fast-rising, smooth-talking, hard-nosed prodigies of the entrepreneurial world.

He came to the job over the heads of three colleagues in February 1988, plucked from relative obscurity in a junior cabinet position by Mr Brian Burke, who was leaving the Premier's job to become Ambassador to Ireland. At that point, Mr Dowding had been in parliament since 1980, but in the lower house for just two years.

A year later, despite intense controversy over the abortive rescue of the Rothwells finance house and a costly attempt to start a petrochemical project, Mr Dowding turned almost certain defeat at the polls into the narrowest of victories, bringing Labor another four years in office.

It is no less remarkable that he has survived since then, for the war of words has not lessened. The Opposition has relentlessly taken him to task over "WA Inc." He has also fallen out acrimoniously with Alan Bond, once the state's most powerful businessman.

Ask him about the damage to the state's name from all the bad publicity, and he blames "the proselytising work of our domestic conservative parties" and the media of Australia's "eastern states." He reckons the international financial community is more concerned about the fate of entrepreneurs like Mr Bond than "domestic" matters like the petrochemical plant controversy.

He has nevertheless begun dismantling some of the institutions associated with "WA Inc," and shelved the petrochemical plant. He also admits that, with hindsight, he should have cut Rothwells off and not gone into the petrochemical project.

Dowding: impressive or appalling?

As for the Government's controversial business dealings overall, he says: "I'm prepared to say there were errors of judgment. What I'm not prepared to concede is that there was any corruption or any impropriety."

Now 46, Mr Dowding is a complex character. Brought up by his Labor activist father after his mother committed suicide when he was seven, he became a divorce and civil rights lawyer and earned good money before going into politics.

His good looks, casual-smart grooming, skilful advocacy and strong television presence were major assets in his selection for the premiership. But what came with him were questionable political judgment, arrogance and ruthlessness. Despite this, his private life – he was married for the third time in 1987 – has remained private.

Few doubt that Mr Burke handed Mr Dowding a poisoned chalice in the Rothwells debacle. Mr Burke left office shortly after committing the Government to back a rescue of Rothwells in the wake of the October 1987 crash. Mr Dowding's handling of the problems since then has impressed and appalled people in about equal measure.

His biggest mistake was to try to extricate the Government from the problems of Rothwells by buying out Mr Laurie Connell, the Rothwells head, from his petrochemical plant project for a sum far in excess of the project's worth.

These dealings became so convoluted and dubious that by the time Rothwells collapsed and Mr Dowding had to call an election, even he thought Labor could not retain power.

Yet in what some called "the greatest political escape" in the state's history, Labor secured a majority of five seats in the state's lower house, despite winning only 42.5 per cent of the primary vote.

Labor was helped by the disunity of the Opposition and its own careful deflection of the Opposition's relentless negative criticism. It ran a positive campaign deliberately focused on Mr Dowding and the future, and accurately targeted marginal seats. At the end of the day, Labor's margin was so narrow its majority would have vanished if some 500 votes had gone the other way.

Since then Mr Dowding has, if anything, held his ground. Speculation last month about a move among disgruntled Labor backbenchers to oust him was quickly discounted, even by his most likely successor, Mr David Parker, the Deputy Premier and State Treasurer. No one cares to predict Mr Dowding's future over the next three years.

Chris Sherwell

Profile: LEADER OF THE OPPOSITION

Split with former partners checks spirited MacKinnon

FOR A man who has suffered the ultimate political setback of electoral defeat and has a reputation for being uncharismatic, Mr Barry MacKinnon is a surprisingly spirited Opposition leader, writes Chris Sherwell.

One reason is the razor-thin narrowness of his coalition's loss in the state election last February. Though bitterly disappointed, he feels he ran a good campaign and was not to blame for the outcome. He has therefore committed himself anew to the fight.

Another reason is the subsequent vindication, as he sees it, of his criticisms of the Government's controversial dealings with business, which he believes will still bring Mr Dowding and Labor down.

The problems Mr MacKinnon faces, however, are awesome. Though combative, he is not regarded as a match for Mr Dowding, and unless there is a snap election, many think a change of leadership is likely before the next state poll, due in three years.

More importantly, Mr MacKinnon suffers the same burden now as he did at election time: crippling disunity between his Liberal Party and its erstwhile coalition partner, the National Party, and specifically between him and Mr Hendy Cowan, the Nationals' leader.

The matter has now become so serious that the two parties have formally split, and the Labor Party, on crucial matters, actually depends on the support of the Nationals, who hold the balance of power in the upper house of parliament.

It is as though Mr Cowan believes he can achieve more for his party and supporters in a pressure group role than as a party leader seeking the authority of office.

Thus, when Mr MacKinnon gave Labor problems pushing its budget through in December, it was the Nationals who saved the Government's bacon. Mr MacKinnon objected to the Government's failure to get prior parliamentary approval for its attempted rescue of the Rothwells finance house and the similarly abortive petrochemical plant project.

He now accuses the Government of misleading parliament and public, says it has displayed "astounding" incompetence and argues it has forfeited its right to rule. Its continuation in office, he claims, "is a very real danger to the very foundations of democratic government."

MacKinnon: vindicated?

In last year's election, Labor's five-seat majority was achieved despite a massive swing against it. As elsewhere in Australia, voters turned against Labor, but did not move to the Liberals and Nationals, opting instead for minority groups such as the "Greys," representing older people.

"We're somehow not getting our message across," says Mr MacKinnon. "We've got policies from the floor to the roof. It's a matter of communication."

Mr MacKinnon, a former accountant, came into parliament in 1977 and rose to become Minister of Industrial Development and Tourism in the Liberal Government which was overturned by Labor in 1983. He became deputy leader of the Opposition and ousted Mr Bill Hassell as leader in 1986.

He rejects suggestions that he over-emphasised the WA Inc issue in the campaign, saying people now believe the Government lied over issues like Rothwells and the petrochemical plant.

He also says Labor will have a battle winning back the state's good name, which he says has been gravely damaged. But he is also under no illusion about the resources at the Government's disposal in getting its message across, calling the propaganda effort "Goebbelian."

The most likely successor to Mr MacKinnon currently is his number two, Mr Richard Court. He is the son of Sir Charles Court, the former Premier, whom many believe still wields considerable influence over Liberal strategy and tactics. But Mr Court has no better chance of winning power without a prior settlement with the Nationals.

Profile: ALAN BOND

Victim of overspending

OF ALL Western Australia's much-vaunted entrepreneurs, none has risen further, nor slipped more spectacularly, than Alan Bond. This month, the very survival of his business empire was being determined in the Australian courts, writes Chris Sherwell.

But at the peak of his corporate powers, between 1985 and 1987, Mr Bond was the country's best-known businessman and a national hero for winning the America's Cup yachting pageant.

In Western Australia, where he started his working life as a Perth signwriter, he became a dominant force in practically every economic sector: beer and pubs, television and radio, property development, goldmining, oil and investments.

His acquisition in 1988 of the Bell stable of companies from his local rival, Mr Robert Holmes à Court, carried him into newspapers, trucking, earthmoving, textiles and more investments.

He spread his interests to Australia's eastern states, and to the US, Britain, Italy, Hong Kong, China and Chile. They covered brewing, gold, nickel, property, satellite broadcasting, telecommunications and a range of financial, art and other investments.

Wherever Mr Bond went, he seemed to leave a mark – sometimes in the form of a sky-punching edifice bearing his name, sometimes a mere impression, of a jolly, larger-than-life, unquenchably optimistic enthusiast willing to borrow big money and take big risks.

But his character is rather rougher than this. "Bondy," as everyone in Perth calls him, is nothing if not a self-made man, and has shown ordinary Australians what they can do through will-power and risk-taking, gall and gumption.

Unfortunately for him, it couldn't last. By last year, the shareholders, bondholders and bankers whom he inspired to invest in his dreams were fast losing their faith – in Mr Bond, in entrepreneurs, in Australia.

Mr Bond's financial troubles started to deepen most obviously in late 1987, but the seeds were sown even earlier, in his deals and his business strategies. He tended to pay too much for his assets, borrowed too much to buy them, imposed too heavily on his shareholders, depended too excessively on a bull market and neglected to explain his complex activities to investors or the media.

The key year was 1987, when he made three major purchases. He paid A$1.05bn, perhaps 100 per cent too much, for Mr Kerry Packer's television and broadcasting interests. The US$1.2bn that the G. Heileman brewing group in the US cost him was also over the top. And he paid US$500m for St Joe Gold.

Despite the crash, he went on the following year to spend A$680m to buy the Bell stable of companies, bought into Chile's telephone monopoly, invested in a doomed petrochemical project in Western Australia, purchased properties in Sydney, London and New York, and invested in two major UK companies, Allied-Lyons and Lonrho.

Many believe his assault on Lonrho was his biggest mistake. Even if it was not, it did hasten a disaster set in train by the clutch of earlier deals. Mr Tiny Rowland's exposure of Mr Bond's financial stress was devastating, and the group's failure to respond reinforced the growing loss of confidence.

Throughout 1989, as interest rates tightened and Mr Bond's bankers grew more nervous, the group came increasingly under siege. It undertook an endless string of asset sales in what looked like an informal liquidation, the share prices of its listed companies slumped and the group fell out badly with the Western Australian Government. Doubt was cast over the group's business dealings and tax affairs, and it reported the biggest loss in Australian corporate history of A$980m for 1988-89. The accountants' qualifications ran on for several pages.

By the end of the year Mr Bond's brewing empire was facing receivership and scarcely a good word could be found for him in any media outlet. Idolised a few years earlier, he was deeply unpopular even in his home town. In almost everyone's mind but his own, the man and the group had been written off.

State business stars' balance sheet

WESTERN AUSTRALIA'S reputation for producing entrepreneurs is only half-deserved. Financial deregulation, the admission of foreign banks, easy credit and a bull market would produce similar results almost anywhere, writes Chris Sherwell.

That said, the independence of spirit to be found in isolated Western Australia, together with the traditions spawned by the 1890s gold rush and the late 1960s nickel boom, provide a strong basis for entrepreneurial activity.

Thus, Alan Bond and Robert Holmes à Court were not the first of their type, and they will not be the last either. The boom and bust cycle will continue to throw up, and consume, new business stars.

Whether they should be called "entrepreneurs" is another matter. Unfortunately it has become a slightly derogatory word. In another country they would simply be called "industrialist," "builder" or "publisher."

One interesting feature about any 1980s "balance sheet" of Western Australian entrepreneurs is that it looks less negative than the extensive media coverage would suggest. Leaving aside Bond, it runs very roughly as follows:

☐ *Risen, fallen and rising again:* Robert Holmes à Court. Caught by the crash, he began a string of asset sales, then sold out altogether from his Bell stable of companies at a handsome price to Mr Bond, leaving his shareholders stunned. He now operates through his private company, Heytesbury.

☐ *Still standing:* Ralph Sarich, who continues to develop his revolutionary engine; John Roberts, head of the private Multiplex construction group; Stan Perron, who holds the state's Toyota distributorship and property interests; Kerry Stokes, who is involved in television and shopping centre interests; Brian Coppin, who has mainly retail interests; Ric Stowe, who heads the Griffin coal group; and Dallas Dempster, who last month sold his Burswood casino property in Perth and earlier received A$50m from the Government for his share of a controversial petrochemical project.

Other successful names include Denis Horgan, whose interests include the Barrack resources and finance group and the Leeuwin Estate winery; Lord McAlpine, Tory party treasurer in the UK and a major property developer in Western Australia; and Lang Hancock, the iron ore magnate. As anywhere, there are also several rich local families controlling their own large businesses who manage to keep a low public profile.

☐ *Risen and fallen:* Laurie Connell (Rothwells), Kevin Parry (Parry Corporation), Mark Povey (Povey Corporation), Yosse Goldberg (Western Continental) and Alister Norwood (Jeans West). On top of this there are numerous fallen stars in Western Australia's traditional entrepreneurial playground, the mining (and especially exploration) sector.

BARRACK MINES

Third wave of change

IT IS not much of a compliment today to be called a Perth entrepreneur but that is the description which perfectly fits Mr Denis Horgan. And he is prominent among the handful of Western Australians who will one day give the term back its respectability.

Now 49, he has had a remarkable business career which he linked firmly to Western Australia's fortunes. Today his Barrack House Group has substantial interests in four listed companies: Barrack Mines, Barrack Technology, Barrack Energy and Metramar Mineral. According to the local press, it is one of the largest private companies in Australia. "That's probably because I don't give them any accounts and they can't work out what the devil I'm worth," Mr Horgan says mischievously.

Starting as a chartered accountant in 1962, Mr Horgan's entrepreneurial tendencies quickly surfaced when he took over his largest client, Metro Industries, a local conglomerate, in 1969. He built Metro into the country's largest supplier to the mining and rural industries.

In 1981 he resigned and sold his interest in Metro because he had become very concerned about the Australian economy and was convinced the Australian dollar was due for a substantial devaluation. He decided to invest in the mining and resource industries as these had their selling prices in US dollars which would maintain their value.

Gold, "a commodity that was truly international," and where the cost of getting into the industry was relatively low, particularly interested him.

"Now we're onto the third wave of change," says Mr Horgan. "That's come about because in my view the only way this country can solve its problems is to add value to its exports." With this in mind Mr Horgan steered Barrack Mines two years ago into a silicon project which will add about 8 per cent to world supplies of silicon metal and takes Australia into this fast-growing business for the first time. It has just started up and first deliveries will take place shortly.

Mr Horgan says: "We're taking raw materials (quartzite and charcoal produced from local Jarrah hardwood) that in their natural state are unexportable, combining them with a large amount of capital and some drive, creativity and energy of a highly motivated team, to produce an export commodity set to make billions of dollars for Australia."

Barrack Mines so far has spent about A$120m on the silicon project – the metal is used for a variety of everyday products, from cylinder heads and engine blocks and furniture polishes to surgical aids and cosmetics – and already plans to double output from the initial 25,000 tonnes a year at a further cost of A$90m.

Mr Keith Ingram, deputy chairman of Barrack Mines – and recently voted Perth's businessman of the year in a poll organised by the West Australian newspaper – says the company is almost certain to move on to another phase which would lift annual output to 84,000 tonnes.

He says confidently that this year, when output hits the first annual target of 25,000 tonnes, the project will add A$17m to Barrack Mines' pre-tax profits, which in the year to last June nearly doubled to A$31.8m.

Most of the earnings came from gold. Barrack's attributable gold production increased from 24,000 troy ounces to 96,000 and should exceed 100,000 ounces this year.

Mr Ingram says Barrack Mines' gold output is expected to rise to 500,000 ounces in 1995 and contribute about half the profit.

Barrack Mines also has some hopes of going further downstream with the silicon project to produce intermediate products called silthanes. Mr Ingram says demand for these is so strong that the world will soon need new production capacity. "We would love to have that plant in Western Australia," he says. The project would require investment totalling about A$700m, but that would not deter Barrack.

But no matter who built the facility, if it was in Western Australia it would lead Barrack to lift silicon production to about 84,000 tonnes a year.

Kenneth Gooding

GOLD AND DIAMONDS

Nugget adds value to precious metal

WESTERN AUSTRALIA'S determination to add value to raw materials does not stop with low-cost minerals. Even gold and diamonds, which fetch relatively high prices, are affected.

About two-thirds of the country's total gold production comes from Western Australia. In 1988, for the first time in 20 years, the value of annual gold output in the state exceeded that of any other individual commodity, including iron ore.

Gold accounted for 25 per cent of the value of Western Australian mineral production.

Not content with that, the state's Development Corporation established GoldCorp, an organisation which since April 1987 has been making and marketing the Australian Nugget gold bullion coins.

Since the launch, GoldCorp has exported about 25 tonnes of gold bullion coins or roughly 9 per cent of total Australian gold output in that period. It has earned about A$600m in export sales, including an important A$50m premium over the market price of gold.

In spite of being launched at a time when the bullion coin markets have been relatively weak, GoldCorp's Nugget has won a 15 per cent share of the world gold coin market.

GoldCorp provides other services to Western Australia's gold miners and has established two new refineries to replace the 90-year-old one in Perth.

Meanwhile, Argyle Diamonds, the world's newest and – in volume terms – biggest diamond producer, is adding value to some of the pink-coloured stones for which it is famous by cutting and polishing a select few at a new centre in Perth. About 6,000 carats of diamonds are processed in this way each year and are sold at auction or privately, fetching more than US$400,000 a carat.

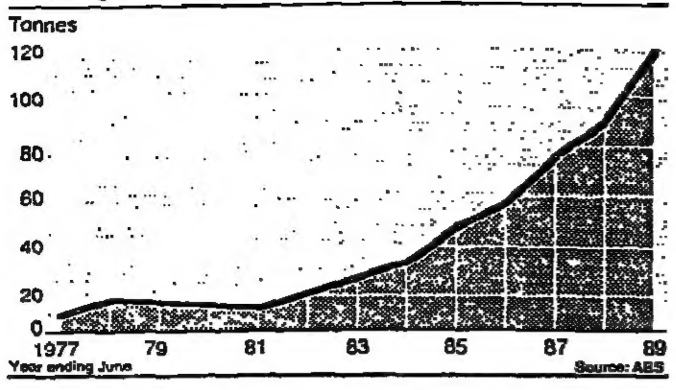
Argyle hopes to expand this good work by establishing an international brand identity for its diamonds – the first time this has been tried.

Argyle's diamond production should reach about 35m carats this year, generating revenue of more than A$1m a day.

There is a great deal of diamond exploration going on in Western Australia but so far the only other producer is Bow River, downstream of Argyle's "pipe" in the Kimberley region. Bow River, now controlled by Poseidon, produces only 635,000 carats a year.

So the state's diamond operations are likely to continue to be dwarfed by its gold

Gold production



business even though a drop in gold output from 1992 is widely predicted.

This is because in 1991 Australia's gold producers will lose their exemption from paying corporation tax. That has triggered a frantic pace of development as miners try to get out as much gold as possible before the tax is imposed.

Hectic activity has been a feature of the Western Australian gold industry since the early 1980s. In the 1988-89 financial year the state produced 120.8 tonnes of gold, up by 33 per cent from the 1987-88 level which itself had shown a 40 per cent rise.

A fall in the average price of gold partly offset the production growth last year but the value of the state's gold production is estimated to have risen by 10 per cent to about A$2bn.

The gold price boom of 1979 was the catalyst for unprecedented exploration activity in the state. In 1987-88 mineral exploration expenditure in Western Australia totalled A$468m, up 44 per cent on the previous 12 months. Gold exploration accounted for 78 per cent of it.

Just as importantly, the use of open-pit mining and new gold extraction technology involving the use of carbon pellets to remove gold from solution, brought a new dimension to the economics of gold mining.

The top 10 mines in Western Australia all rely on ore containing less than five grams of gold in every tonne.

The recent rise in the gold price after a two-year fall from above US$500 an ounce to $360, has not come a moment too soon for the Western Australian gold miners. Costs are rising fast because of Australia's high interest rates – Mr Peter Lalor, managing director of Gwalia Resources, says, for example, the cost of hiring equipment jumped by 12 to 15 per cent in the past year.

In 1991 gold producers will lose their exemption from corporation tax

If interest rates come down, the value of the Australian dollar is likely to collapse and costs will soar again – 95 per cent of the country's construction equipment is imported.

Mr Lalor says the imposition of income tax will be a big impost on profitable gold companies although, on the positive side, all exploration expenditure will be tax-deductible, an important concession for companies with positive cash flows.

The state has more than 600 registered gold mining companies but many small-scale, marginal mines are being worked out as rapidly as possible. Mr Lalor suggests that after the shake-out there will be fewer gold mines and fewer gold miners.

"There will probably be 20 or 30 companies owning 85 to 90 per cent of production. But that would mean the 1980s boom had given Australia another 15 or so solid companies in gold mining – and that's not a bad result."

Kenneth Gooding
Mining Correspondent

(Above) It is a specialised skill to sort diamonds. (Left) The Perth headquarters of Argyle, the biggest diamond producer in the world, gets direct light from the south, which is needed for any sorting area in the Southern *Hemisphere*

Profile: WESFARMERS

Local dynamism

WHEN THE Perth Stock Exchange celebrated its centenary, a survey was held among stockbrokers to establish Western Australia's favourite local quoted company, writes **Kenneth Gooding.**

Wesfarmers won by a large margin.

Yet five years ago when it was listed for the first time, the company had few friends among local investors.

Two people in particular are responsible for transforming Wesfarmers from a sleepy but solid co-operative, owned and run by farmers, into a dynamic industrial group run along strict financial lines.

They are Mr Trevor Eastwood, the chief executive, and Mr Michael Chaney, finance director. Mr Eastwood joined Wesfarmers in the mid-1960s. He is an engineer by training and also a graduate of the Harvard Business School's advanced management programme.

Mr Chaney, a member of a prominent Perth family, trained as a geologist and has an MBA. He worked for the Australian Industrial Development Corporation before joining Wesfarmers in 1983.

Mr Eastwood says that, when he took over as chief executive in 1984, he decided first to put Wesfarmers' house in order and then expand by acquisition.

To achieve the first objective the philosophy was simple but effective. All parts of the business were given a target: they had to strive for a 25 per cent return on capital. Those operations which did not have a chance to meet this were sold or closed down.

Some figures show the success of these efforts. Since 1986 Wesfarmers' revenue has grown at an annual rate of 14 per cent but net profit advanced by 57 per cent and earnings per share by 48 per cent. Assets have grown by 13 per cent annually and shareholders' funds by 26 per cent.

Having started out in 1914 providing services to farmers, Wesfarmers today is primarily

Trevor Eastwood, the chief executive of Wesfarmers (above) and Michael Chaney, finance director (below)

a fertiliser and chemicals manufacturer. More than half its profits come from these activities, mostly from fertilisers. Wesfarmers' interests also include gas processing and distribution, agricultural trading, including wool and livestock agencies, rural merchandising, land sales and insurance.

The company employs 4,700, has 20,000 shareholders and in 1988-89 made a net profit of A$54.8m on operating revenue totalling A$1.4bn.

The diversity of its activities stems partly from a carefully considered decision to remain operating mainly in Western Australia. The strategy also involves growth by acquisition now that Wesfarmers is getting more or less maximum efficiencies from its present assets.

Mr Eastwood says that Wesfarmers shied away from expanding its existing businesses nationally or internationally because "Perth is still the most remote city in the world. If we were to go into new businesses we wanted them to be close to home. That way they could be managed more easily."

In any case, "90 per cent of our shareholders are in Western Australia; the directors are all Western Australian people and a number of our executives wanted to live here, they no longer wanted to be transferred nationally or internationally."

Once the decision to concentrate operations in the state was taken, once the dividend policy was established and an annual A$200m cash flow was being generated, expansion opportunities were snapped up.

For example, having grabbed a large share of the Western Australian market for distributing liquid petroleum gas – by the expedient of refilling containers from bulk tankers rather than carting the containers around – Wesfarmers could see supply problems ahead. So it developed a scheme to extract LPG from the pipeline carrying gas from the North West Shelf.

"It was a very big scheme," Mr Eastwood admits. "But we had expertise in handling gas and a good engineering team."

Wesfarmers' latest acquisition springs from its desire to get into mining. It snapped up Western Collieries, based at Collie, south of Perth, which was previously, if briefly, owned by Mr Laurie Connell's now collapsed Rothwells group.

Mr Chaney recalls that Rothwells paid CRA A$130m for the coal company two years before Wesfarmers stumped up A$125m. Western Collieries has contracts which will require it to double output in the next four or five years – long-term contracts not subject to price fluctuations – so Wesfarmers will spend another A$22m this year and A$28m next year on expansion of the new acquisition.

Mr Chaney points out that Western Australia is so huge that Wesfarmers has not suffered unduly from tying its fortunes to the state. The company managed to increase profits every year since it was floated even though in those years the Western Australian farming community has experienced some bad times, in both climactic and economic conditions.

He says that eventually Wesfarmers will spread its interests to the rest of the country. "When we were deciding on strategy we said: What is Australia going to be good at in 10 years? Let's stick to that.

"In due course we see ourselves as an Australian company. And if you want to invest in Australia, we offer that opportunity."

IRON ORE

Chinese project goes ahead

THE IRON ore industry of Western Australia blossomed with the emergence of Japan as a major industrialised country in the late 1950s.

This was a two-way street. Japan could not have made the progress it did without having access to plentiful and cheap supplies of Australian raw materials, including alumina and nickel from Western Australia.

At the same time, Japanese demand underwrote much of Australia's mining development. Western Australia's iron ore industry almost certainly would not have grown so quickly and so big – in the 1988-89 financial year the value of iron ore production in the state was A$1.8bn – without the then novel long-term contracts worked out with the Japanese in the early days. Without those contracts the capital required would not have been as readily available.

Western Australia is now also benefiting from the industrial development of other countries in the Asia-Pacific region, such as Korea and Taiwan – and even China.

For, despite all the uncertainties about China's future direction and the recent brutalities perpetrated by its Government, development of the Channar iron ore mine in Western Australia, representing China's biggest foreign investment, has been continuing uninterrupted.

This joint venture between CRA's subsidiary Hamersley Iron and the China Metallurgical Import and Export Corporation will export all its production to China to feed a new steel plant as output builds up progressively this year.

The total value of Western Australia's resource production in 1988-89 rose by nearly 14 per cent compared with the previous year to A$7.9bn. For the first time in 20 years the value of gold production is estimated to have exceeded that of iron ore: A$2bn versus the previously-mentioned A$1.8bn.

"We are selling iron ore at 50 per cent below 1980 prices in real terms"

In spite of a 5 per cent increase in sales, the value of iron ore output fell by 4.5 per cent because of depressed prices. Substantially increased prices for 1989 and 1990 were negotiated for iron ore sales to Japan and Europe but Mr Fred Madden, executive director of Robe River Iron Associates, points out that "we are selling iron ore at the same price as in 1980 in historic terms – in real terms it is 50 per cent below that level."

Robe has been leading the way in cleaning up the labour and productivity problems which have dogged the iron ore industry for many years. These date back to booming market conditions in the 1960s and also arose because Western Australia's iron ore mines are in a remote and arid area.

Most Australian iron ore exports come from the Pilbara district of Western Australia where the Bureau of Mineral Resources has identified no less than 141bn tonnes of iron in ore. Apart from Robe River, now a subsidiary of the North Broken Hill Peko group, and CRA's Hamersley, two other companies are operating in the Pilbara: Mount Newman, a Broken Hill Proprietary subsidiary, and Mount Goldsworthy Mining, now owned by Hanson of the UK following the latter company's recent acquisition of Consolidated Gold Fields.

Meanwhile, Western Australia's output of alumina (a material used to make aluminium and which is refined from bauxite) is currently running full-out. Capacity constraints held back volume increases last year but higher prices pushed up the value of Western Australian output in the 1988-89 financial year to A$1.6bn.

Alcoa of Australia (a subsidiary of the US Alcoa but a company in which Western Mining has a substantial stake) is upgrading its Western Australian alumina refineries to raise annual capacity by 6 per cent to 320,000 tonnes.

Extraordinarily high nickel prices also benefited Western Australia in the 1988-89 financial year and the value of nickel production soared by 82 per cent to A$600m even though volume fell by 9 per cent compared with the previous year.

High prices encouraged Western Mining to buy the Agnew nickel mine, which was closed in 1986, to rename it Leinster after a local town and restart production. And recently Australian Consolidated Minerals, a division of Renison Goldfields, said it would develop its Mt Keith nickel deposit in a joint venture with Outokumpu.

To the disappointment of the Western Australian Government, the the partners intend to ship concentrates to Finland for downstream treatment. Western Mining suggests that energy costs are too high for it to consider another nickel smelter in the state.

However, the Government still hopes that, in spite of the state's high energy costs, a consortium backed by South Korean interests will build a 300,000 tonnes a year aluminium smelter to give Western Australia its first such facility.

The Government's dream of adding value to iron ore with the introduction of steel-making to the state depends heavily on results from the A$100m, three-to-five year HiSmelt project set up near Perth which involves CRA, Western Mining and overseas interests looking at the viability of the direct reduction of iron to produce sponge iron and then steel billet.

Kenneth Gooding

Chris Sherwell analyses the state's natural resources

LNG for Japan boosts exports

WESTERN AUSTRALIA'S proud position as a disproportionately strong contributor to Australia's exports was reinforced last year with the start of deliveries to Japan of liquid natural gas (LNG) from the North West Shelf.

The A$12.5bn North West Shelf project is one of the world's biggest and most exciting resource programmes. It involves tapping two significant gas fields lying 130km off the Western Australian coast and far beneath the 125 metre-deep ocean.

The six partners are Shell, Broken Hill Proprietary (BHP), Woodside Petroleum (whose main shareholders are Shell and BHP), BP, Chevron and a joint venture between Mitsui and Mitsubishi. For some it has been their single biggest commitment anywhere.

LNG export shipments started last July, two months ahead of schedule and nine years after the project began. By the end of the year three of the planned seven LNG carriers were in operation. At its peak the project will deliver 6m tonnes of LNG a year to eight Japanese power and gas utilities.

The LNG exports represent the second, more costly phase of the giant 20-year project. The first phase, to supply gas to residential and industrial users within Western Australia, was in place by 1984 and, at A$2bn, cost around one-fifth of the LNG phase. Overall, revenues during the project's life are expected to reach A$50bn, with export earnings reaching A$2bn a year.

For the Western Australian economy the project is a boon. Although North West Shelf investment activity will not regain its 1987-88 peak of A$9m a day, it is currently running at A$3m a day and is likely to continue at that rate up to 1993 because of two major schemes.

One is a A$1.6bn development of the Goodwyn field through the establishment of a 28-well gas and condensate production platform. This will be linked by pipeline to the existing platform 23km to the north-east, which stands over the North Rankin field.

The other investment is the construction of a third LNG "train" at the onshore gas facility on the Burrup peninsula. This will process gas from Goodwyn and lift overall capacity for the project to beat its planned mid-1990s peak, *perhaps reaching 7m tonnes* a year.

Beyond this, the consortium has the options of investing in a third facility – not necessarily a platform – to extract additional gas, a fourth and fifth LNG train on shore to supply any new markets, and a second field-to-shore pipeline.

So far, some 74 per cent of the work on the North West Shelf project has been undertaken in Australia, much of it in Western Australia. The major limiting factor has been skills: thus, in the case of the Goodwyn jacket, the main fabrication contract, which is still to be decided, will go elsewhere.

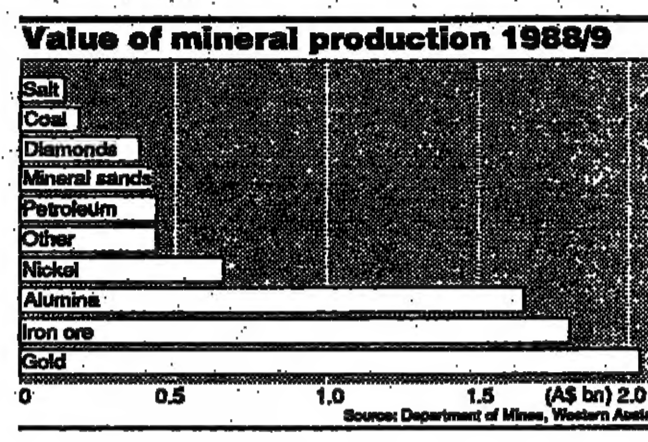
The North Rankin field, with reserves of more than seven trillion cu feet, is significantly larger than Leman, the biggest North Sea field, which has around five trillion. Goodwyn has around four trillion. The value of both has also been increased by the presence of associated condensate, enough to make them significant oilfields.

In the longer-term future, there are proven gas reserves in the nearby Angel and Echo fields, and a vast deposit containing a proven six, and perhaps 13, trillion cu feet at Scott Reef, further north. A separate consortium of Shell, Texaco, Chevron and Ampol is meanwhile sitting on reserves at the Gorgon field, which is in deeper water.

There are also hopes for oil development offshore. Last year Woodside found a 100-metre column of light crude oil flowing at 5,500 barrels a day from a drilling in the Wanaea field, east of North Rankin. It was first "pure" oil find of any significance in the North West Shelf, and greatly reinforced optimism about the future.

The Woodside liquid natural gas development on the North West Shelf

Value of mineral production 1988/9



Source: Department of Mines, Western Australia

Profile: WESTERN MINING

Top gold producer needs to diversify

MR HUGH MORGAN, managing director of Western Mining Corporation (WMC), says that Western Australia is the best place in the world for a mining company to operate. But WMC is too heavily committed to the state and needs to spread its risks by diversifying elsewhere.

The group is already Australia's largest gold producer with attributable output of 816,430 troy ounces last financial year, most of it from Western Australia. Some analysts expect WMC this year to join the elite band of 1m ounces-a-year producers but Mr Morgan says the total is likely to be between 850,000 and 900,000 ounces.

WMC is the world's third-largest nickel producer from its Western Australian base. Nickel production last financial year was 37,500 tonnes, down from more than 53,000 tonnes in 1987-88. This year it should rebound to between 53,000 and 55,000 tonnes, says Mr Morgan.

WMC has also been building up its stake in Alcoa Australia, the world's largest producer of alumina, which has the bulk of its operations in Western Australia. WMC's shareholding currently is 43.7 per cent.

All this helped to give WMC sales revenue of A$1.2bn in the year to June 30, up from A$867.3m in the previous 12 months, on which it made equity operating profits (before extraordinary items) of A$455.6m, up from A$273.5m.

The group nearly went to the wall in the 1950s when the gold price was held fixed at an artificially low level. From then on, the management has been determined that WMC should never again be a one-product company.

To this end it recently plunged into the copper and uranium business on a world-class scale with the opening of the Olympic Dam mine in Southern Australia. It owns 51 per cent of this project and has management responsibility.

Today WMC has three A$1bn businesses in Australia and is looking for more operations which could be built to the A$1bn a year level.

Mr Morgan suggests one "building block" might be provided by oil and gas – although at the moment WMC is a very small player in this field. Or industrial minerals might provide a "block." The company is already the largest talc producer in Australia (output was 161,000 tonnes last year) and recently began marketing milled talc to end-users in Europe under the Westmin brand name.

Mr Morgan points out that talc is as different a business for a mining company as is oil and gas. And talc alone would not provide a A$1bn business but WMC would have to add other industrial minerals.

Apart from expanding the range of commodities in its portfolio, WMC also wants to spread the risks by geographical diversification – both away from Western Australia to other Australian states and away from Australia itself.

It has already launched itself in North America but Mr Morgan admits "we got away to a poor start" and that it might take some time to reach the "critical mass" WMC is seeking. WMC bought four North American gold properties in quick succession and last year had to make an extraordinary provision of A$111m for the diminution in the value of two of them after allowing for A$72.7m profit from gold hedging no longer required.

Mr Morgan says: "We have a very strong and prosperous position in Western Australia. So we are now looking in other parts of Australia. We are applying our skills in other parts of the world.

"The emphasis is still predominantly on gold, but not solely on gold."

Gold is preferred, he says, because "there is less environmental hassle. We can get to know the geology and politics of a new country through gold."

That said, WMC's most recent big acquisition was again in Western Australia. Last January it paid A$175m (plus royalties) for the Agnew nickel mine which its previous joint owners, MIM and BP Minerals, put on a care and maintenance basis in August 1986.

Agnew had a reputation for poor labour relations and poor management and it is probably for this reason that WMC now calls it Leinster Nickel, after the nearest town.

Mr Morgan says that the acquisition will help WMC achieve its objective of remaining a major world nickel producer in spite of losing production from the Windarra mine where economically recoverable reserves are nearly depleted.

He says that the previous owners were conservative in their estimates that Agnew/Leinster's reserves were 33m tonnes of ore with 2 per cent of nickel.

WMC has started mining *nickel from* a new area, called Rocky's Reward, while considering what to do about the existing mine. Leinster will be able to treat 1m tonnes of ore when current expansion work is completed.

The group has a nickel smelter at Kalgoorlie and a nickel refinery at Kwinana but Mr Morgan hints that any expansion of this downstream activity is unlikely because energy costs – a major element in refining – in Western Australia are "significantly above" those in the rest of the country.

"Added value is of no value at all unless it is done at a profit and competitively," he says. "There is nothing we would like to do more (than expand refining capacity) but it would reduce our international competitiveness."

Kenneth Gooding

MINERAL SANDS

State is world leader for high technology

THERE IS glamour and money in mineral sands. Not only does Western Australia dominate world production of these minerals, but there are several projects in the state which will add value to the raw materials.

The glamour comes from some of the high-purity powders and metals yielded by mineral sands. These are used in high-technology applications such as advanced ceramics for combustion engines, lasers and fibre optics, X-ray and medical diagnostic equipment, artificial limbs, severe pain treatment and aerospace projects.

Production of synthetic rutile, a value-added product worth six or seven times more than the ilmenite on which it is based, is booming

At the same time, the world seems to have an insatiable appetite for titanium dioxide – a pigment used to give a pure whiteness to paints and other surface coatings.

Titanium dioxide is produced from ilmenite, the mineral sand found in most abundance, and from rutile. Western Australia supplies 43 per cent of the world's ilmenite and 21 per cent of the rutile.

A switch of technology to produce titanium dioxide by more environmentally acceptable means has left the world short of natural rutile. This has led to an expansion in the output of synthetic rutile, a value-added product worth six or seven times more than the ilmenite on which it is based.

Production of synthetic rutile is booming in Western Australia and SCM Chemicals, now part of Hanson of the UK, has moved even further downstream in the process. Late last year SMC opened a new 70,000 tonnes a year plant at Kemerton, a new industrial area near Bunbury, which is the first in the southern hemisphere able to turn rutile or synthetic rutile into titanium dioxide pigment.

Two other minerals in Western Australia's sands are greatly sought after: zircon, used in ceramics, refractories, chemical processing and heat-resistant cladding; and monazite, which can be separated into the more exotic rare earth elements.

Western Australia accounts for about 40 per cent of world zircon output and 54 per cent of monazite production.

The Department of Resources Development reckons that five years ago zircon boosted the state's export earnings by A$25m. Today similar levels of production are worth nearly A$100m a year.

The world's largest high-purity zirconia plant was opened last year south of Perth, a A$13m venture which converts zircon sand to zirconia powders and chemicals. Expansion is already being contemplated to meet growing demand from the international ceramics industry for feedstock. The plant employs a process developed by ICI Australia and the Australian national scientific research agency, CSIRO, which until recently had a 50 per cent shareholding in the venture.

Monazite is a relatively low-cost mineral sand but, once transformed into rare earth compounds, offers the possibility of earning hundreds of millions of dollars for Western Australia.

Rhône-Poulenc, the state-owned French group which dominates the world's rare earths business, wants to build a plant near Pinjarra, next to its recently-commissioned gallium extraction facility.

The materials produced from rare earths would go to a wide range of applications: speciality alloys, glass polishing, TV screens, petrochemical and automotive catalysts and ceramic glazing among them.

However, the project has been stalled by the Environmental Protection Agency which objects to Rhône-Poulenc's plans for disposing of radioactive waste material. The French group has offered alternative ideas and seems intent on taking all the necessary steps to get the project, which holds a key position in its world strategy, into production.

Perhaps the most adventurous of the mineral sands projects in the state is planned by joint-venturers Kerr McGee of the US and local group, Minproc Holdings. They plan the world's first integrated mineral sands venture, from mining sands at a new mine at Cooljarloo, through three processing plants, to the production of titanium dioxide pigment at the end of the chain.

The A$400m project is expected to produce about 290,000 tonnes a year of primary heavy minerals, 67,000 tonnes of synthetic rutile and *54,000* tonnes of titanium dioxide pigment and to generate exports worth more than A$200m.

Currently Western Australia's mineral sands mines are concentrated in two regions: Capel, near Bunbury, and Eneabba, near Geraldton. The principal producers are Associated Minerals Consolidated, a subsidiary of Renison Goldfields; Westralian Sands; and Cable Sands.

Also involved in the industry is the Ravensthorpe Mining group which recently started mining and will channel output to its new A$4m dry processing plant at Picton.

In the not-too-distant future Broken Hill Proprietary, Australia's biggest company, is likely to give the go-ahead for development of its Beenup deposit, a major ilmenite find near Augusta. The group suggests Beenup could produce an annual 500,000 tonnes of ilmenite (the predominant mineral in the deposit), zircon and rutile for at least 20 years.

Kenneth Gooding

FOREIGN COMPANIES

A lack of skilled workers

THE EXPERIENCE of some foreign companies suggests that Western Australia is one of the best places in the world for natural resource development. But there are substantial pitfalls facing any company which wants to build facilities to process raw materials once they have been won from the ground.

Mr Dominique Namer, general manager of Rhône-Poulenc Chimie, based at Pinjarra, near Perth, uses aeronautical terminology to describe his experience. He says: "You can set out to build a 747 and finish up with a DC-10."

He supervised the building of Rhône-Poulenc's gallium plant, designed to produce about 50 tonnes of gallium in the form of a chlorine salt annually and which came into production last July.

One problem, says Mr Namer, is the lack of experienced people, not only in the state but in Australia as a whole.

Australia has only a few contractors claiming to be able to build chemical plant, for example. The demand for skilled people is so great that the few available frequently move from one organisation to another.

"So a company can present references as having done a job previously – but the people with the know-how might have left. You need to track down the people responsible for a previous project if you want to do something similar" is Mr Namer's advice.

Rhône-Poulenc prefers local people to carry out maintenance at its plants around the world. With that philosophy, it aims to start relationships early by employing local subcontractors when building a new plant.

This did not work out well in Western Australia, according to Mr Namer. While a few subcontractors performed well, "it was very difficult to get the job done to specification by the average contractor.

"If you kick up enough fuss and if you are willing to water down your specification you eventually get something acceptable – the Australians have an uncanny ability to 'fix it, more or less'," he says.

Mr Namer suggests that whereas in Western Europe trade unions have had to change their approach in view of the rise to industrial power of the Japanese, "the Australians are 20 years behind in how to find a compromise between local customs and international ones."

State-owned Rhône-Poulenc is France's largest chemical and pharmaceuticals group. It already has an annual turnover of more than A$15bn in Australia. The Western Australian Government points to the French group's gallium plant as a prime example of the type of downstream processing and added-value project it wishes to encourage.

But the gallium plant is only part of a planned A$150m development at Pinjarra. Rhône-Poulenc also wants to build a facility which will progressively separate and refine a full range of rare earths, using monazite supplied by Western Australia's growing band of mineral sands miners.

This project currently is stalled. The Environmental Protection Agency is willing so far to give approval only to the first part of the scheme where radioactive material is exported from Western Australia for further processing in France. But Rhône-Poulenc will not go ahead with any part of the project until permission is given for the whole scheme – including the second phase where the radioactive material would be treated at Pinjarra.

The rare earths plant is strategically important to the French group, which dominates the industry, so Mr Namer is pressing ahead to get EPA clearance.

However, he points out, "Australia is one of the most difficult countries in the world to start an industrial project because its environmental lobby is one of the strongest in the world."

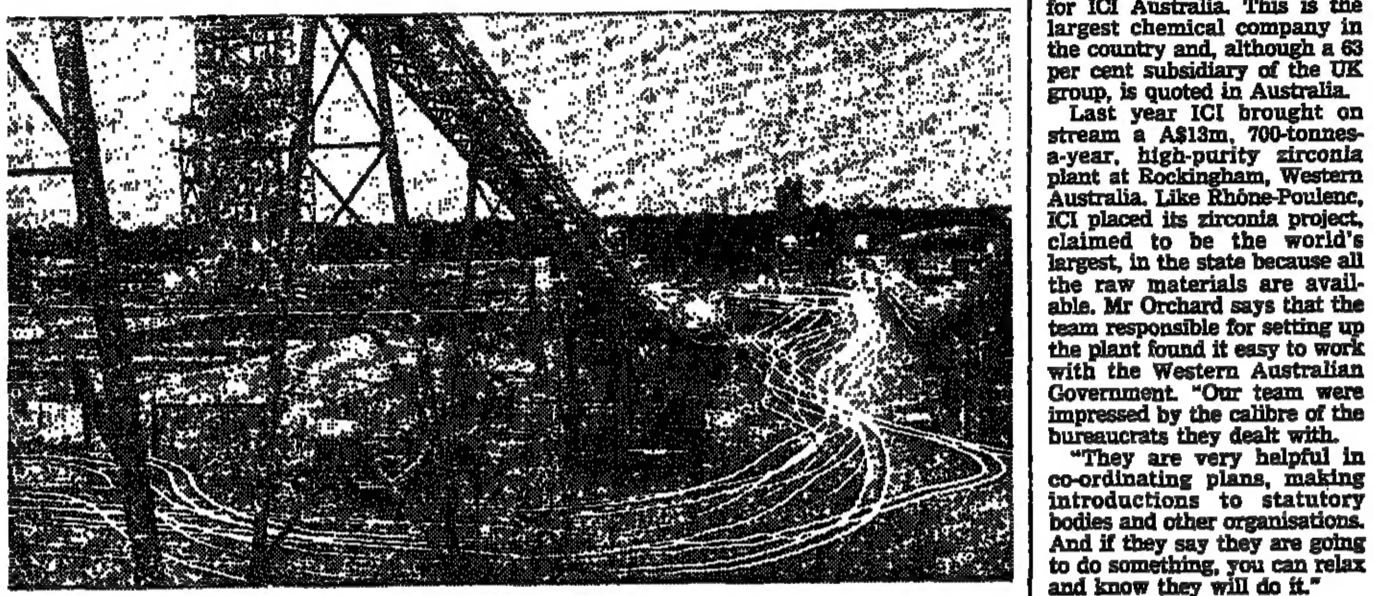
That said, the Western Australian people are friendly and the state government helpful, says Mr Namer.

This last point is echoed by Mr Paul Orchard, state manager, Western Australia, for ICI Australia. This is the largest chemical company in the country and, although a 63 per cent subsidiary of the UK group, is quoted in Australia.

Last year ICI brought on stream a A$13m, 700-tonnes-a-year, high-purity zirconia plant at Rockingham, Western Australia. Like Rhône-Poulenc, ICI planned its zirconia project, claimed to be the world's largest, in the state because all the raw materials are available. Mr Orchard says that the team responsible for setting up the plant found it easy to work with the Western Australian Government. "Our team were impressed by the calibre of the bureaucrats they dealt with.

"They are very helpful in co-ordinating plans, making introductions to statutory bodies and other organisations. And if they say they are going to do something, you can relax and know they will do it."

Kenneth Gooding



The Barrack silicon project, on which the company has spent A$120m (£57m). **See Page 2**

Chris Sherwell on Kalgoorlie, centre of the 1890s gold rush

Hopes pitted on Super Pit

WITHOUT KALGOORLIE, Western Australia would not be what it is today. It was the centre of the country's second gold rush in the 1890s, and in less than 10 years grew to a town of 30,000 with 93 hotels and eight breweries. The scramble brought people, development and wealth to the still-fragile state, and ensured its future.

Kalgoorlie today reeks of history and *reflects the extraordinary* lure of gold. Its Golden Mile, quickly unearthed after an Irishman named Paddy Hannan found the first nugget in the area, has been dubbed the richest piece of real estate in the world.

By 1983 – 90 years after Hannan's discovery – it had yielded *a total of* 38m ounces, and even now extraction continues at the rate of a tonne a week. Yet the atmosphere – of boom and bust, of independence amid isolation, of resourcefulness, adversity and humour, above all of money – remains unchanged.

Hannan Street, Kalgoorlie's main road, is still wide enough to turn a camel train in, and is lined with the town's oldest buildings, many restored to their former charm. Shaded verandahs offer relief from the dry summer heat.

Kalgoorlie's massive cemetery is a stark reminder of the hard times faced by the earliest inhabitants – the original "diggers." Water was scarce, sanitation absent and disease rife. There were no beaches and no mountains; just dirt, heat, flies – and gold.

In the famous Dirty Acre, in the adjacent town of Boulder, T.H. "Crosscut" Wilson caught the atmosphere of a local pub, the Boulder Block, in a 1907 poem:

Rather rowdy,
Dingy, cloudy,
Dusty, dirty, dim, and dowdy,
Thirsty throats to mock.
Can't mistake 'er;
Droughty slaker,
Six pubs to the blooming acre
– That's the Boulder Block.

Strewn about the immediate region lie numerous ghost towns. The most extraordinary is Kanowna, a few miles north-east of Kalgoorlie. In 1905 its population was 12,000, with 16 hotels, two breweries, churches and an hourly train to Kalgoorlie. Today, nothing remains.

Kalgoorlie merged last year with Boulder, which was itself on the brink of becoming a ghost town before the nickel boom of 1969-70 revived it. Kalgoorlie too came under threat in 1976, when all but one of the gold mines had shut and the remaining one was due to go.

The town was saved by a rise in the price of gold, a shift to open-cut mining and the development of carbon-in-pulp technology. A series of corporate rationalisations, principally involving the ubiquitous Alan Bond, has led to a development which will underpin Kalgoorlie's future – the Super Pit.

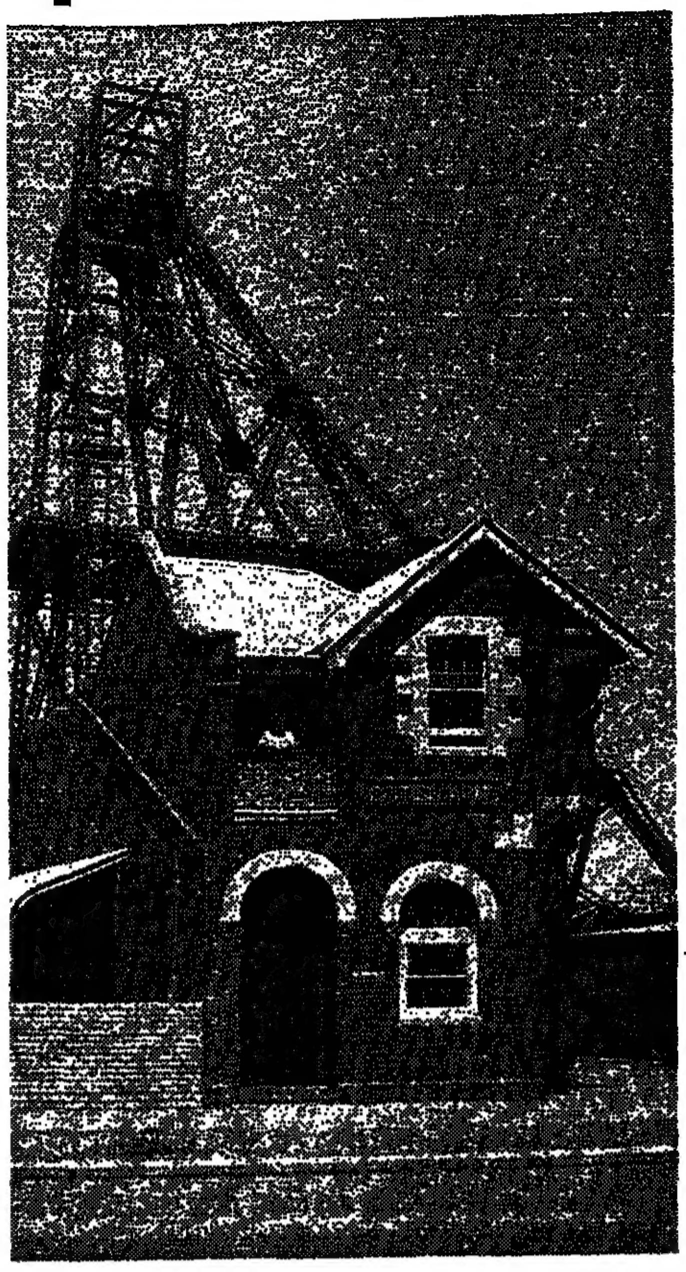
One pit will embrace all the Golden Mile mines, removing the head-frame relics and a rabbit warren of tunnels to produce a hole at least 5km long, 2km wide and up to 500 metres deep. Mining will continue for 20 years, then the push underground will resume, in the never-ending chase of the area's remarkable gold lodes.

Ironically, Mr Bond is no longer involved in the Super Pit: his financial troubles led him to sell out late last year. But the plan is going ahead, and nearby land is being bought up – including the Boulder Block.

Across town from the Dirty Acre, meanwhile, lies another famous gold mine – and the red light district of Hay Street, started even before the churches got to Kalgoorlie. The establishments are not legal, but Mr Ray Finlayson, Kalgoorlie's mayor, says the system works because of "the tolerance of the people, the common sense of the police, the good judgment of the madams – and the absence of any men running it."

Another Kalgoorlie vice, still banned everywhere else in Australia except casinos, is Two-Up. The authentic Australian gambling game, it takes place in a ramshackle corrugated iron shed outside Kalgoorlie and involves bets on two spun coins coming down heads or tails.

Although Kalgoorlie means so much to Western Australia, only now – thanks to the Super Pit and tourism – is it seeing a chance to shake off its seemingly permanent state of insecurity. But it still needs a top-class hotel. And to guarantee its future, it should be a more important transit point. That means a larger airport and tar on a last fragment of its road connection north.



Kalgoorlie Museum. A mining company donated the headframe

Another of the town's vices is Two-Up, an authentic Australian gambling game

Lord McAlpine's exclusive holiday resort at Broome

Tourists invade 'Pearl Coast'

THEY CALL Broome the Port *of Pearls. Before World War* One, it produced some 80 per cent of the world's pearl-shell output. Divers, crews, shopkeepers and sundry hangers-on converged from Japan, China and south-east Asia, joining Australian settlers and local Aboriginals to create a social mix unlike any other, writes Chris Sherwell.

But times change, and a new force has engulfed this isolated northern coast town: tourism. Pearling retains its importance, of course, and its mystique, and Broome still has both a sizeable Chinese community and many of its old corrugated iron buildings. But the area has a new tone, of development and of wealth.

The new attractions of what is now dubbed the "Pearl Coast" are easy to see. Azure skies, turquoise seas, white sandy beaches, lush foliage, verdant bougainvillea, rust-red soils – all offer a setting for tourist development as colourful as the town's *history*.

But there is another reason for the change – namely Lord McAlpine of West Green, treasurer of the Tory Party and *head of the diverse McAlpine* group. His company has had interests in Western Australia since the 1960s, when it built the Parmelia Hilton, the first top quality hotel in Perth. He has long been a major force on the state's business scene.

Six years ago, in a deal agreed on a bar beer-mat, he bought *some land behind* Broome's 25km-long Cable Beach. He began a remarkable zoo for rare and endangered species and a comprehensive collection of exotic parrots, and set out to preserve Broome's traditional architecture and bolster its identity.

Then came the idea of a resort. Tourism was emerging as an Australian growth industry. However, Western Australia, in spite of its vastness and its beauty, had no such "destination" to attract its own residents, let alone foreign visitors.

With the help of funds from the Government's Western *Australian Development Cor*poration, work began on the first stage of Lord McAlpine's exclusive Cable Beach Club holiday resort in 1987, and *opened with 84 bungalows* the following year. A 263-room expansion has just been completed, and promotion abroad is about to begin.

Despite its obvious attractions, Broome needs skilful marketing. Most of Australia's 16m population are already within easy reach of sun, sand *and surf. And for foreigners* few resorts could be more isolated – Broome's nearest city is Perth, 2,200 km away.

Cable Beach – 25km long and about 400 metres wide at low tide – offers a sense of space amid a pristine environment that many nowadays seek. And the climate is outstanding: temperatures above 30 deg C all year round, with only a short wet and humid season after Christmas.

Beyond its pearling attraction, the area is an ornithologists' delight. And Lord McAlpine's 50-acre zoo, with its 1km elevated walkway and its rare African oryx, Congo buf*falo*, pygmy hippos and cheetahs, surpasses all expectation. Of the conventional recreations, fishing and scuba-diving are the most obvious, but *the resort offers tennis and* swimming too.

To make it accessible to Australians, the resort began a successful series of discount-price charter flights from Melbourne and Sydney last year, on top of the packages offered from Perth. Australia is where its base market lies, among the professional and business classes.

Internationally, there are ambitious plans to compete with places like Bali in Indonesia, Penang in Malaysia and Phuket in Thailand. Indeed, once Broome can build its own international standard airport, it hopes to attract non-stop flights direct from Europe, offering tourists an "authentic" Australian holiday.

The reality of recent months, however, has been more prosaic: Australia's domestic pilots' dispute hit Broome harder than most tourist spots, and the Cable Beach Club resort in particular, which lost at least A$800,000 in revenues and suffered a damaging loss of momentum.

WINE-MAKING

Margaret River's aura of quality

THREE HOURS' drive south of Perth, nestling on a stretch of the long peninsula between Cape Naturaliste and Cape Leeuwin, lie the winelands of the Margaret River. Here, in a green and peaceful *idyll*, a small collection of tiny vineyards produces some of Australia's finest premium wines.

Before 1970, the area was timber and dairy cattle country – heavily logged, increasingly impoverished and lacking a future. But everything changed with the discovery that the area's well-drained gravel and clay soils, together with its ocean-influenced frost-free Mediterranean microclimate, made it ideal for viticulture.

Slowly but surely over the past 20 years, the Margaret River name has emerged as a *symbol of quality in the wine* business, covering an array of styles (dominated by Cabernet Sauvignon and Sauvignon Blanc) and such well-known names as Leeuwin, Cape Mentelle and Cullens.

As yet, the scale of the industry remains small. Margaret River produces only 1 per cent of the country's wine, and must compete within Western Australia against much larger producers such as Houghton and better-established areas including the Swan Valley. The state gener*ally has an even tougher* battle against the country's better-known wine-producing areas in South Australia, Victoria and New South Wales.

But the emphasis of the Margaret River wines is on quality, and the way is being led by the 90-hectare Leeuwin Estate, owned by Mr Denis Horgan, a businessman. He has targeted the highest level of the world market with his wines, and everything about them – especially the resources poured into their production and marketing – creates an aura of quality.

The estate is magnificently *laid out, has* a gourmet restaurant, displays a collection of original Australian paintings and, once a year, lays on a single performance in the grounds by a world-class performer – Ray Charles in 1988, Dionne Warwick last year, and Kiri Te Kanawa and James Galway this year.

Leeuwin claims to have produced the country's best Chardonnay, and wants to do the same with its Cabernet. Though it has one of the area's largest vineyards, it produces *only 25,000* cases of wine each year, around 10 per cent of which is exported.

Other vineyards in the area benefit from Leeuwin's success – and from its prices. But some are good enough not to depend on it. Cape Mentelle, controlled by Mr David Hohnen, its chief winemaker, has twice won Australia's most important wine trophy for one-year-old dry red wine with its Cabernet Sauvignon. Mr Hohnen is also the brains behind Cloudy Bay, New Zealand's most notable wine success of recent years.

Other winemakers like Mrs *Di Cullen and* her daughter Vanya run purely a family business on what, until 1971, was their dairy farm. They still hand-pick their grapes and use as little sulphur preservative as possible. Though they are not expanding acreage, they look forward to increasing current output beyond 7,000 cases.

A significant feature of all three of these winemakers is that, despite their different styles and sizes, none is believed to be making a vast profit. Mrs Cullen's husband still practises as a doctor, Mr Hohnen expects to be in debt for years and Mr Horgan could not operate Leeuwin without his core business, the Barrack group.

As the success of each has grown, the problems facing others have been masked. The Vasse Felix vineyard, which started even earlier than neighbouring Cullens and produces excellent wines, was picked up by Mr Robert Holmes à Court when it ran into difficulty. On the other hand more vineyards are being started by eager, new participants.

In such circumstances, the biggest task facing the Margaret River wine-growers will be to overcome their natural individualism and sound a harmonious collective voice in order to preserve their name. Their fortunes will be worth following.

Chris Sherwell